

Austria	Sh. 30	Indonesia	Rp 2500	Peru	Int. 50
Barbados	Bar. 0.850	Italy	1.150	S. Africa	Rs 5.00
Belarus	Br. 45	Japan	650	Spain	Es 5.00
Canada	Can. 1.45	Kenya	250	Turkey	TL 5.00
China	Cny. 70	Malta	Fls 500	U.S.A.	Int. 5.00
Denmark	DK. 5.00	Morocco	Fls 500	U.S.S.R.	Rp 5.00
Egypt	£21.00	Nigeria	Fls 500	U.S.S.R.	Rp 5.00
Finland	Fls. 5.00	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
France	Fr. 6.50	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Germany	DM 2.20	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Iceland	Is. 12	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Hong Kong	Hk. 12	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
India	Rp. 15	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Indonesia	Rp. 2500	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Malta	Fls 500	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Monaco	Fls 500	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Norway	Nkr. 12	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Peru	Int. 50	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Portugal	Fls. 500	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Spain	Es 5.00	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
Sweden	Sk. 7.00	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00
U.S.A.	Int. 5.00	U.S.S.R.	Fls 500	U.S.S.R.	Rp 5.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,934

Wednesday May 21 1986

D 8523 B

US takeovers:
arbitrageurs
under fire, Page 19

World news

Saudis drop Stingers from deal

Saudi Arabia has withdrawn 800 advanced Stinger missiles from a controversial \$354m arms purchase and the Reagan Administration hopes the move will persuade Congress to let the rest of the deal go through.

US Secretary of State George Shultz informed the Senate Republican leadership of the action, which he said would "substantially strengthen" Mr Reagan's chances of winning final congressional approval.

A fear that some of the portable, shoulder-fired missiles might fall into the hands of terrorists was a large factor in Congress's initial defeat of the sale.

Soviet envoy

Yuri Dubinin, former Soviet ambassador to Spain, is to succeed Anatoly Dobrynin as ambassador to Washington. Page 5

Advance halts

Sri Lankan troops halted their advance on the Jaffna peninsula under heavy fire from Tamil separatists. Page 4

Alfonso's escape

Police disarmed a bomb in an army officer's club shortly before President Alfonso of Argentina was to address officers in a nearby building, the country's official news agency Telen reported. Page 5

Belrut guards freed

Six Lebanese Moslem guards at the US Embassy were released eight hours after their abduction by gunmen at a crossing point between the Moslem and Christian sectors of Beirut.

US gateway

Irish Government proposed measures to allow American immigration officials to screen passengers at Shannon airport for entry to the US, in the hope that traffic through Shannon will be boosted.

Flights disrupted

A six-hour strike by Italian civil aviation staff caused delays to several international flights and temporary closure of most provincial airports.

China-Taiwan accord

China and Taiwan signed their first accord for 37 years as they formally agreed on the return this week of a Taiwanese cargo jet now held on the Chinese mainland. Page 4

Talks on Macao

China and Portugal will open talks next month on returning the tiny Portuguese-run territory of Macao to Peking rule.

Liberal leader

Industry Minister Renato Altissimo has been elected leader of the Italian Liberal Party, one of five parties in the coalition government.

47m jobs needed

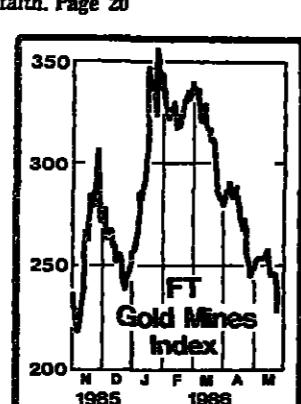
The world will have to create 47m jobs every year for the next 40 years, mainly in developing countries to find work for newcomers to the global workforce and overcome unemployment, according to the International Labour Organisation.

Falklands film

Israeli film-makers Menahem Golan and Yoram Globus plan to produce a big-budget drama film on the Falklands war between Britain and Argentina, officials of the Cannon Group said.

Burroughs sets time limit for Sperry bid

BURROUGHS, US computer group, has set a deadline of 5pm today for rival Sperry to accept a sweetened \$75.5m cash and paper takeover offer. The higher bid came as Sperry called off merger talks amid bitter recriminations, accusing Burroughs of acting in bad faith. Page 20



GOLD fell \$1.75 an ounce in the London bullion market to close at \$332.5. It also fell in Zurich to \$338.00 (Swfr 243.05). In New York, the June Comex settlement was \$339.80. Page 32

DOLLAR rose in London to DM 2.2410 (DM 2.2255); SF 1.8690 (SF 1.8610); FF 1.1375 (FF 1.0900) and Y168.65 (Y163.25). On Bank of England figures the dollar's exchange rate index rose from 115.0 to 115.4. Page 33

STERLING fell slightly in London to \$1.5100 (Sl. 51.00). However, it rose to DM 3.40 (DM 3.3775); SF 2.6350 (SF 2.6250); FF 10.8275 (FF 10.7625) and Y255.75 (Y255.50). The pound's exchange rate index rose by 76.4 from 73.3. Page 33

WALL STREET: The Dow Jones industrial average closed 25.80 up at 1783.86. Page 40

LONDON: Retail results buoyed trading and gifts improved. The FTSE 100 gained 11.8 to 1384.9 while the FT Ordinary share index added 10.7 to 1383.50. Page 40

TOKYO: Blue chips and consumer stocks were out of favour. The Nikkei average dipped 7.55 to 15,689.50. Page 40

FINLAND lowered its key interest rate twice in demonstration of central bank confidence in the national currency, the markka.

IRIM, the US computer giant, announced a series of data communications and telecommunications products that enhance its mainframe computer network offerings. Page 21

AEROSPATIALE, the French state-owned aerospace group, boosted net profits to FF 483.5m (Sl. 464m) last year from FF 332.1m in 1984 but sounded a warning about the effect of increasing international competition on its results this year. Page 21

COMMODORE INTERNATIONAL, the troubled US home computer manufacturer, is taking severe cost-cutting measures after a further heavy loss in the third quarter ending March 31. Page 21

MARRIOTT, the US hotels and catering chain, has converted its friendly takeover approach to Sago, the contract food-service group, into a hostile tender offer at \$3.4 a share. Page 21

NORSK HYDRO, the Norwegian energy, chemicals and metals group, is bidding to become the leading European aluminium extrusions group, through the takeover of five plants in continental Europe from Alcan Aluminium of Canada. Page 21

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Front-line states demand sanctions against Pretoria

BY ANTHONY ROBINSON IN JOHANNESBURG AND TONY HAWKINS IN HARARE

A DEFIANT President P. W. Botha yesterday defended South Africa's cross-border raids on alleged guerrilla targets as foreign ministers of six black-ruled states in the region called for mandatory and comprehensive economic sanctions against the Republic.

In the Zambian capital of Lusaka, Mr Oliver Tambo, president of the African National Congress of South Africa, accused Pretoria of deliberately scuttling the Commonwealth-backed peace initiative led by the "Eminent Persons Group."

Mr Colin Eglin, leader of the white opposition Progressive Federal Party (PFP), attacked the raids as "a major political blunder" and warned that they would lead to an increase in violence.

As fears of sanctions mounted in the wake of Monday's raids, the South African Reserve Bank intervened to steady the rand yesterday after it fell sharply from the opening 44.30 US cents level to 42.35 cents. After bank support, the commercial rand closed only marginally lower at 42.20 cents. But large selling orders from London and other centres further depressed the financial rand, which closed at around 27.15 cents after reaching a low of 26.85 cents.

Foreign ministers of Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe, holding a

scheduled meeting in Harare, condemned the raids as "dastardly acts of unprovoked and unwarranted aggression."

A joint communiqué called for international economic

sanctions.

Mr Botha made no reference to the recent conciliatory mission of the Commonwealth Eminent Persons Group, but he described the banned African National Congress (ANC) as "hell-bent on the destruction of South African society."

Mr Botha compared the incursions into Zimbabwe, Botswana and Zambia with the recent US attack on Libya. The President said that under international law, South Africa had "the right to resort to acts of self-defence." But in his statement during an emergency debate in Parliament in Cape Town, he omitted

the final line of the printed text, circled to the press beforehand,

in which he stated: "I congratulate the security forces and assure the country that we will do it again when the occasion demands."

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EUROPEAN NEWS

Controls eased on telecommunications services in France

BY PAUL BETTS IN PARIS

THE FRENCH Government plans to open up to private competition the market for advanced-value added telecommunications services ranging from videotex to private business communications networks and videophones, as part of the deregulation of French telecommunications.

But Mr Gerard Longuet, the new Secretary of State for Posts and Telecommunications, said yesterday that deregulation in the coming weeks would not stretch at this stage to long distance and local telephone services.

The Government plans to draw up a bill to regulate competition in the French telecommunications sector during the next 13 months before eventually opening up the existing state telephone monopoly to outside carriers as the US has done with AT&T and the UK with BT.

Mr Longuet emphasised that the French Government was anxious to avoid seeing private carriers creating profitable local telephone services at the expense of long distance services. Indeed, he went as far as to suggest that long distance services, which have traditionally been subsidised local services, "should remain a strong public service."

At the same time, he said he favoured a review of local service telephone tariffs, which are still extremely low in France compared to other Western countries. In turn, by making local telephone services economically more attractive, the Government could pave the way for competition in local telephone services.

Mr Longuet also confirmed that the Government was reviewing the proposed deal between American Telephone and Telestra (AT&T) and the nationalised French Cetra (CETRA) Generali C'Electricité (GCE) electronics and telecommunications group. The venture, which would give AT&T 16 per cent share of the French public telephone exchange market, appears to have relatively good chances of gaining the necessary government approval, although Mr Longuet emphasised that the decision did not rest in his hands but with the industry Minister. Indeed, the final

decision is widely expected to come from Mr Jacques Chirac, the Prime Minister.

The centrepiece of the deregulation programme is the setting up of an independent watchdog agency modelled on the US Federal Communications Commission (FCC) called the Commission Nationale des Communications et Libertés (CNC) responsible for broadcasting and telecommunications in France. The posts and telecommunications (PTT) as such will become responsible for providing services in competition in some fields with other groups.

This new agency in coming weeks will authorise new value added services to be offered by private groups to businesses seeking to set up individual communications networks or seeking advanced specialised services. Already two important associations have appeared, including a link-up between IBM and the French Paribas banking group and another between Olivetti and the French Suez financial group.

The new government, in spite of its liberal and free market zeal, has clearly been waiting for the entry of a French electronics group in the value added service communications field before giving the green light to deregulation in this sector.

But both IBM and Olivetti, the latter closely associated with AT&T, appear to have stolen a march in already positioning themselves to take advantage of one of the first areas of deregulation in French telecommunications.

Overall, the new Government's approach to deregulation in the telecommunications industry is far more cautious and gradual than its deregulation plans for broadcasting, including the immediate privatisation of France's oldest and largest national television network, TF1. The broadcasting plan has provoked a political controversy and the state television networks will be disrupted by a protest strike today.

As for postal services, the new Secretary of State said he wanted to encourage development of European-wide services as well as boosting the financial services offered by the post office in France.

Guarded optimism over talks on human contacts

FROM A CORRESPONDENT IN BERNE

REPRESENTATIVES of the 35 nations meeting in Berne to discuss East-West human contacts are due to wind up their conference at the end of this week, and it is still not clear whether there will be a final document. However, the leader of the British delegation, Sir Anthony Williams, believes the meeting can already be described as a success.

Quite a lot has been achieved, Sir Anthony said. Forty-four proposals have shown that we can air our problems and I believe that we may

well reach agreement on detailed provisions for improving human contacts. The meeting would not have been a failure without a final document, but it would be a failure if we had a final document that did not say anything useful."

Opinions differ as to how many of the proposals could be included in a final statement, but Western delegations have stressed the importance they attach to improving the observance of existing provisions on human rights, international postal regulations for example.

Sir Anthony makes the point that

it is easy to lump the East Europeans together, but they differ widely from the relatively liberal to the totally illiberal."

The public opening four weeks ago of the conference, the latest to be held under the Helsinki accords, was delayed by East-West wrangling over whether the meetings should be in public.

The conference began when a "compromise" was reached, under which only the scheduled final day — Friday — will be open to the public. However, delegates have been generous with their briefings to the me-

dia and only detailed information on individual cases has been restrained.

The "sideshows" which marked the opening sessions (one group of refugees chained themselves to railings near the Bellevue Palace Hotel conference site and a Romanian set fire to himself, fortunately without serious injury) now seem to be over, and Western, neutral and non-aligned states say the Soviet delegates may now show the flexibility they have promised.

Many Western delegations stress that the mere fact the conference is

being held at all represents a degree of success, since countries were keen to clear outstanding cases from their books, often allowing would-be refugees to leave for the West before the conference opened.

It is also clear that individual cases are being solved in the working groups and corridors of the Bellevue almost daily. For example, the deputy head of the Swiss delegation, Mr Gerard Staudt, told reporters last week that Switzerland had successfully wrapped up some dozen cases involving

named East European citizens since the meeting began.

The leader of the British delegation, Sir Anthony Williams, said: "The outcome of the conference will depend on the outcome of the Helsinki final act by the end of the year."

The current case would mean the final implementation of the provisions of the Helsinki final act by the end of the year.

James Buxton chronicles Rome's attempts to bring development within the law

Italy tries to impose planning after the event

AN EXTRAORDINARY bureaucratic operation is lumbering into life in Italy. Its aim is the conversion — on paper — of literally millions of illegal homes into legitimate dwellings. At the end of the day, likely to come in 1983, much of the wild construction development that has defaced whole areas of Italy in the past 40 years will have been retrospectively built and sanctioned.

The operation, the *condono* edilizio or building pardon, should entail every Italian who owns an illegally-built house or flat owing up to the authorities, and getting it approved, against payment of a fine. The number of homes involved could exceed 3m and illegal alterations to be pardoned could run into millions more.

According to estimates by the Ministry of Public Works in Rome, more than 1.2m people will apply for the pardon by the end of March. In some parts of Italy, at least, an extremely complicated and thoroughly unpopular piece of legislation seems to be beginning to work.

To inhabitants of northern Europe accustomed to diligent local authorities closely controlling every aspect of town and rural planning, it must come as a surprise to discover that perhaps one third of the population of Rome — about 1m people — lives in homes which were constructed without planning permission, in accordance with no urban design. While districts have sprung spontaneously on the outskirts of the city over the past 35 years. Some of them seem little

different from legitimately-built parts of the city but the worst blocks of flats sometimes seem to have been put next to each other completely at random.

Some of the houses are Jerry-built, put up by men working only at night to avoid being caught. Services such as lighting and sewage are often nonexistent. Sheep and goats graze between the blocks. There are hardly any schools and the crime and drug-taking rates are predictably high.

The problem resulted from a collision between an energetic

development which were previously held not to exist, and put in rudimentary services. But other suburbs remain beyond the pale to this day, and even in those areas that are officially recognised, house owners are not exempt from the need to seek a pardon for the offence of having built illegally.

On several occasions since the War, the city council in Rome has had to enfranchise developments which were previously held not to exist and put in rudimentary services. But other suburbs remain beyond the pale to this day, and even in those areas that are officially recognised, house owners are not exempt from the need to seek a pardon for having built illegally.

and resourceful population migrating from the countryside, and a municipal administration quite unable to cope with the paperwork which its own rules demanded, let alone envisage the scale of future development.

People who wanted to build their own homes or spontaneously planning ambitious developments, often went ahead without even thinking of getting permission. It would take far too long to involve answering far too many awkward questions and the request would very likely be refused.

On several occasions since the war the city council in Rome has had to enfranchise vast new

it illegal. The periphery of Naples — some of the worst slums in Europe — was built with little regard for planning regulations.

In Sicily things are even worse, very little of the construction that has taken place since the Second World War is technically legal: it is reckoned that 1.5m homes are illegitimate. The ancient Greek city of Agrigento, on the south coast, is considered a classic case: the Valley of the Temples, one of the finest collections of Greek temples in the world, is now surrounded by villas and flats, and the construction still goes on.

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In Sicily things are even

twofold, firstly to raise money. The idea of offering an amnesty in return for payment for past offences, often in the field of taxation, has a long history in Italy. It is maliciously said to date back to the medieval practice of simony, when priests offered sinners a pardon in return for cash.

It was originally hoped that the measure would raise at least £10,000,000 (£4.5bn), but with the watering down of the legislation, it is now reckoned that the state will be lucky to raise half that amount.

The second aim is to try to impose a little order on the situation, and to give the municipalities little excuse for continuing to deny essential services to the illegally-built.

The law covers any building erected illegally between 1942 and October 1983 — the date at which the first version of the law, presented as a decree, was rejected by Parliament in a humiliating setback for the newly-formed government of Mr Bettino Craxi.

That date has been retained, with time still in hand for late requests. Whether it will make much difference to anything except the Government's coffers and the workload of the municipal bureaucracy remains to be seen. Censis, the Rome-based social research bureau, has estimated that to install services and schools in the illegitimately built zones could cost as much as £25,000,000, five times as much money as the law may bring in.

But the law is definitely not working in Sicily, where the extent of illegal building is

£4m, and in the case of poor areas, thousands of Sicilians are engaged on by their efforts, not attacks on roads and railways, and through increasingly contentious cases containing official

refusal to make major

concessions, blaming the

island's nearly 400 municipalities, only a quarter of which

had ever completed an urban

plan. The central Government

did not see why it should undermine the whole concept of Italian unity by making a new law specific to Sicily. Instead, it softened the parts of the law that particularly affected poor people.

The island's politicians have now resorted to the Sicilian regional assembly and passed a law excusing Sicilians from complying with this particularly national legislation, a move which the central government has challenged in the constitutional court. The battle is a long way from ending.

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كذا في الواقع

EUROPEAN NEWS

EEC reforms 'could fragment motor market'

BY PAUL CHEESERIGHT IN BRUSSELS

EUROPEAN Community reforms to speed decision-making and the development of the internal market could have the reverse effect and fragment the market, motor industry chief executives are warning the Commission and governments of the Twelve.

Their concern is prompted by the Danish refusal to adopt technical regulations to control vehicle emissions and is directed at the exceptions permitted by the text of the constitutional reform package signed by the Twelve last February.

The industry fears that there will be scope for national regulations to override Community regulations. This, it is argued, would run in the face of a decision taken in 1970 to ensure that any recourse to national technical regulations was forbidden.

Mr John Egan, chief executive of Jaguar and president of the Committee of Common Market Automobile Constructors, and Mr Hans-Erdmann Schombeck, president of the liaison committee of the EEC Automobile Industry, have set out these fears in identical letters to the presidents of all the Community institutions.

They want the Community authorities "to confirm that they will continue to pursue the policy of realising the internal market."

PLO talks condemned

DUTCH Foreign Minister Mr Hans van den Broek said today he may meet Palestinian Liberation Organisation officials next week in his role as president of the European Council of Ministers.

Mr Van den Broek visits Tunis on Sunday as part of a Community programme of contracts with parties to the Middle East conflict.

He said he understood the PLO

Danes set to dissent on US chemical arms plan

BY HILARY BARNES IN COPENHAGEN

DENMARK SEEMS poised to conform to its reputation as Nato's dissenter when Nato defence ministers meet in Brussels on Thursday. There, they will be asked to endorse US plans to resume production of chemical weapons.

In the Folketing (parliament) yesterday, the non-socialist minority government went down to its 19th defeat in three years



NEW NATIONWIDE RATES FROM JUNE 1ST 1986

SHARE ACCOUNTS & CASHBOOSTER	5.25% net
FLExACCOUNTS	5.50% net
£1-£499	5.50% net
£500 plus	7.00% net
BONSBUILDER ACCOUNTS	5.50% net
£100-£499 existing accounts only	5.50% net
£500-£1,999	7.00% net
£2,000-£4,999	7.25% net
£5,000-£9,999	7.50% net
£10,000 plus	7.75% net
CAPITAL BONUS (NEW ACCOUNT)	7.75% net
INTERNATIONAL ACCOUNT	10.00%
£1-£1,999	10.25%
£2,000-£9,999	10.50%
£10,000 plus	10.50%
The interest is paid gross. Available only to those not ordinarily resident in UK.	
DEPOSIT ACCOUNTS	5.00% net
OTHER INVESTMENT ACCOUNTS	11.00%
The rate of interest paid on all other investment accounts except Treasurers Accounts will be decreased by 0.75% from 1 June 1986.	
MORTGAGES	11.00%
The rate of interest charged on existing mortgages for owner occupiers will be 11.00% from 1 June 1986. This rate has applied to new advances since 19 April 1986.	



Coalition's majority at risk in Netherlands

By Laura Raun in Amsterdam

THE DUTCH centre-right Government looks set to lose its parliamentary majority by a very slim margin as voters go to the polls in today's general election.

The neck-and-neck race is expected to draw as many as 88 per cent of the eligible voters, the highest turnout since 1977.

The closeness of the race focused attention on yesterday's television debate between the leaders of the three largest political parties — Mr Ruud Lubbers, the Prime Minister, who heads the Christians-Democrats; Mr Joop den Uyl, of the Labour Party; and Mr Ed Nijhuis of the Liberal Party.

Formation of a new government could drag on for weeks if the government coalition loses its majority. The longest cabinet formation in history was in 1977 when it took six and a half months to weld a government together.

In a trend seen over the last couple of months, the Christian Democratic-Liberal coalition is likely to fall two seats short of the 76 needed to maintain a governing majority, according to the most recent polls.

The opposition Labour party is expected to add seven seats for a total of 54 and have the first chance to try to form a government. The Socialists would seek to forge a centre-left coalition with the Christian Democrats, the perennial swing party which has been part of every government since the war.

A Christian Democratic-Labour coalition has grown increasingly likely in recent weeks as Mr Lubbers and Mr den Uyl, the veteran Labour party leader, have recognised the opinion polls' message. If the Christian Democrats and Socialists fail to bridge their differences, most notably on the deployment of cruise missiles, then the current coalition partners probably would seek another party to restore their majority. The Democrats 66, a small left-of-centre party, seem the likely candidate.

The government abstained when the vote was taken on the resolution.

It was not clear yesterday however, whether the wording of the resolution was sufficiently tough to force a new Danish footnote to a Nato communiqué, although Mr Lasse Budtz, defence spokesman for the opposition Social Democratic Party, was not in doubt.

"The government cannot sign a communiqué in which production of chemical weapons are accepted," he said.

Norway's new Labour government also opposed to the US plan, but Mrs Gro Harlem Brundtland, the Prime Minister, was quoted as saying she does not intend to make footnote reservations to Nato decisions.

This may open the way for the Danish government to join forces with Norway without going to the lengths of a new written reservation to a Nato decision.

In Washington on Monday, Mr Richard Perle, assistant Secretary of State for Defence, was damningly sarcastic at Denmark's expense at a brief meeting with journalists ahead of a visit to Denmark tomorrow and Friday by Mr Casper Weinberger, US Defence Secretary.

Pravda turned off by Soviet television news

BY PATRICK COCKBURN IN MOSCOW

THE MONOTONY of Soviet television's main news broadcast, watched by 100m people across the Soviet Union every night, has been heavily criticised by the Communist Party newspaper, Pravda.

It says that the nine o'clock news contains too many stereotyped reports and rehearsed interviews. "Information about the capitalist world is monotonous. Journalistic clichés migrate from broadcast to broadcast," says an article by Mr Dmitri Lyubosvetov.

Soviet television coverage of

events abroad, he says, consists mainly of "meetings, demonstrations and protests. They rarely tell about the achievements of science and technology, about what effect these may have on the ordinary worker in the conditions of capitalism."

Mr Lyubosvetov criticises Soviet correspondents stationed in foreign capitals for normally staying in crowded streets while they read out comments from the local press.

The Chernobyl nuclear

disaster on April 26 appears to have provoked a watershed in Soviet information policy. The authorities, wholly secretive during the first 10 days of the crisis, have since given extensive coverage of the accident in the press and nightly reports from a special correspondent are shown on the television news.

The initial policy of saying nothing about Chernobyl has also come under attack from Pravda. The newspaper noted last weekend that in the first days after the accident "shifts

in people's moods were sometimes promoted by belated information on the real state of affairs at the site of the accident."

Soviet television has never produced as much critical material as the press has done since the political climate gradually liberalised after the death of President Leonid Brezhnev in 1982. Vremya, the main television news programme, has also come under attack from

Pravda. The newspaper noted last weekend that in the first days after the accident "shifts

in people's moods were sometimes promoted by belated information on the real state of affairs at the site of the accident."

During the first week of the Chernobyl crisis, Soviet television carried only official communiques saying that all was well, and interviews with departing British students and holidaymakers suggesting that the accident was being exaggerated by the foreign press.

Chernobyl disaster prompts Polish N-plant review

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND WILL be reviewing safety procedures and equipment planned for weeks if the government coalition loses its majority. The longest cabinet formation in history was in 1977 when it took six and a half months to weld a government together.

Mr Jerry Urban, the government spokesman said yesterday. He was replying to questions following a letter to parliament from nearly 3,000 inhabitants

of the north-eastern city of Bialystok which lay in the path of the radio-active cloud. They have demanded that work on the Zarnowiec site be halted until adequate safeguards are provided.

Mr Urban also did not rule out the need to import additional safety equipment from outside Comecon countries

when he said that Poland would be considering every kind of

safeguards "from all over the world."

The mining and energy minister, Czeslaw Piotrowski, has also received an open letter signed by five nuclear scientists calling for a containment shell to be built at Zarnowiec similar to those used in the west.

The Zarnowiec plant is a pressurised water reactor, built to Soviet design, and quite dif-

ferent from the Chernobyl graphite moderated plant. Mr Urban stressed. He added that abandonment of Poland's nuclear energy programme would lead to economic stagnation. His tone in replying to the protests was markedly moderate, a sign that the authorities recognise the intense fears about nuclear energy that the Chernobyl accident has raised in Poland.

Poland's universities can expect to see a purge of Solidarity supporters. Mr Urban admitted yesterday, following a statement last week by the Education Minister that the time had come to remove "those who demonstrate opposition to socialism." Mr Urban declined to say how many academics the purge would cover and when it would be carried out.

Nuclear safety boost high on IAEA agenda today

BY DAVID FISHLOCK IN LONDON AND PATRICK BLUM IN VIENNA

AN EXPANDED programme of nuclear safety and nuclear incident evaluation is high on the agenda for today's emergency meeting of the board of governors of the International Atomic Energy Agency in Vienna.

The board, representing 35 nations, has been convened at the request of West Germany, which has domestic difficulties with the high level of public protest over nuclear power following the Chernobyl accident in the Ukraine.

Or Hans Blix, the agency's director-general, who led its mission to the Soviet Union, will present proposals for several new initiatives by the agency. It hopes the board will give approvals for these to be costed in time for its next regular board meeting in June.

Nuclear plant safety accounts for only about 10 per cent of its budget of about \$130m (£86m) a year.

The IAEA believes it may be July before it receives a detailed account of events at Chernobyl from Moscow.

West Germany is expected to propose for the establishment of a binding international convention which would commit governments to provide rapid and full information in the case of accidents.

It is also expected to call for the establishment of an early warning system and for higher safety standards.

The first of a series of inter-

national meetings to discuss the implications of the accident took place at the Vienna headquarters yesterday, attended by experts from the World Meteorological Organisation, the World Health Organisation, the United Nations Environment Programme, and from the UN Scientific Committee on Effects of Atomic Radiation, as well as from the IAEA.

The IAEA provides advice and assistance on request from governments, but has no policy

Who? DAEWOO

THAT'S WHO!

OVERSEAS NEWS

Sri Lanka calls off offensive on Tamil areas

BY MERYN DE SILVA IN COLOMBO AND JOHN ELLIOTT IN MADRAS

SRI LANKAN military officials said yesterday that the army's offensive against Tamil strongholds in the northern peninsula had been temporarily abandoned after four days of fierce fighting.

The officials admitted that the army had suffered a "setback" in its efforts to clear the 45-mile stretch from the Elephant Pass, the entry point to the peninsula and Jaffna City.

Later in the day, Mr. Lellith Athulathmudali, the National Security Minister, said the "self defence" operations would continue. He said he hoped the fighting had taught the rebels that they "cannot run Jaffna the way they want."

Tamil leaders in the southern Indian city of Madras said the Tamils had been successful in driving the government troops back to their base where they have lived for months without venturing out on patrol.

They claimed the attack had involved heavy bombing and civilian casualties, a claim denied by Sri Lankan officials.

The Sri Lankan forces are likely to seek back efforts being made by India to find a settlement to the running ethnic crisis of the island's minority Tamil community.

Tamil extremist leaders based in the southern Indian city of Madras yesterday said they intended to take a hard line against peace proposals put forward by the Sri Lankan Government.

The extremists expect to receive more support for their

16 die in S. African squatter camp battles

By Anthony Robinson in Johannesburg

AT LEAST 16 people have died and upwards of 10,000 left homeless after two days of gunfights and pitched battles between rival squatter organisations in the sprawling Crossroads squatter camp about 12 miles (20 kms) from Cape Town.

A large group of over 200 homeless women, many carrying babies assembled outside parliament to call on the Government for food and shelter. They dispersed peacefully after police assured them that their appeal would be carried to the relevant ministers.

The Rev David Russell, a local white clergyman, also led a peace march to the area to seek an end to the fighting which broke out over the weekend between older established residents and younger "comrades."

The squatter camp, a maze of close-packed tin and cardboard shanties, was originally scheduled for demolition by the authorities. But the township was reprieved last year and the Government announced plans to upgrade its facilities.

It offered many squatters new site and service facilities where they could re-build their makeshift homes at Khayelitsha, a new housing and squatter camp complex on the Cape.

Since then Crossroads and other squatter camps in the vicinity have been swelled by waves of fresh migration from the Ciskei and Transkei homelands. Overcrowding and mass unemployment has exacerbated political and social tensions leading to the current outburst of fighting between the "fathers," old established residents, and young militants calling themselves "comrades."

Both factions are armed to the teeth with a wide variety of weapons ranging from Soviet made AK 47 assault rifles to home-made pangas, knives and clubs. Fighting continued yesterday over a wasteland of burnt out shacks and thousands of homeless seek emergency relief.

Police and army units in armoured cars patrolled the area yesterday and fired tear gas to try to separate the factions. Eyewitness reports that the police had earlier stood by passively and even encouraged the "fathers" in their fight against the "comrades" were denied by police who said they were doing all in their power to separate the two sides and end the fighting.

Among the many conclusions are that the IDF has not drawn the appropriate lessons from the three wars it has fought since 1967, up to and including the three-year invasion and occupation of Lebanon.

What has added further fuel to a fire which has shocked the country, is the claim by Col Emmanuel Wald, the report's

Bob King examines the background to the Taiwan-China talks Why Taipei must tread cautiously

TAIWAN'S nationalist government has taken most people by surprise over the past two weeks by a series of concessions made both to its local opposition and, more dramatically, to the nationalists' old enemy, the Communist Government in Peking, with whom Taipei has vowed never to compromise or negotiate.

The question in most minds, though, is why Taiwan suddenly modified its obdurate stance toward the mainland Chinese and gave more reasonable almost overnight. Only President Chiang Ching-kuo, the 75-year-old head of the last generation of Chiang Kai-Shek, has the full answer. For it is clear that the decision to negotiate last week for the return of an aircraft flown to China by a defector emanated from the very top.

Knowledgeable observers reason that opinion, both within the Government and without, would not tolerate leaving two crewmen of the diverted aircraft in the communist hands. Others believe that the Government simply seized the opportunity to open a dialogue with China, without appearing to divert from its national policy.

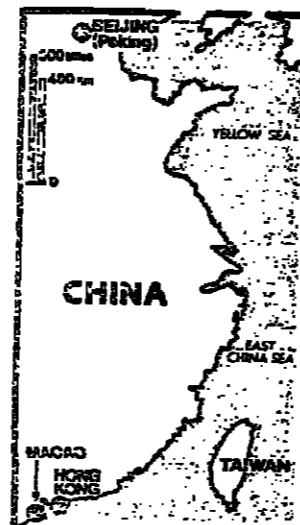
The nationalist government fled from China in 1949 after a disastrous 1947 civil war with the communist under Mao Tse-Tung. On Taiwan (then known as Formosa), the nationalists maintained the martial law they had proclaimed in 1949, which virtually assured them of political dominance.

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Rarely has the often opaque Japanese political scene proved as impenetrable as at present. Mr Nakasone, his rivals inside



The Chinese Government announced yesterday that formal talks on China's resumption of control over Macau, the Portuguese administered territory on the south coast, will begin in the last week of June. Robert Thomson in Peking writes.

The talks in Peking between Chinese and Portuguese officials will attempt to settle an agreement for the hand over of the territory, which Portugal has ruled for 430 years.

China's team will be headed by Mr Zhou Nan, the vice foreign minister, who led the negotiations with Britain over Hong Kong. The Portuguese side will be headed by Mr Ray Barbosa Medina, their UN ambassador.

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Although the trend toward liberalisation on the domestic front will continue, Government spokesmen this week were careful to point out that the talks between Taiwanese and Chinese aviation officials represented an isolated incident undertaken for humanitarian reasons and not a change in policy. Indeed, the Government fears stirring up both arch-conservatives at home and Taiwan independence elements abroad—the former on ideological grounds, the latter because they might interpret any such dialogue as the beginning of nationalist self-out-of-Taiwan.

The major question in Taiwan now is will the more open climate continue? Both the opposition and the Government's handling of the CAL affair were favourably received by the public, and

despite verbal mumbo-jumbo about the talks were between private companies and did not violate Taiwan's official policy of "no contacts" with Peking.

Some fear, though, that the return of the two CAL crewmen to Taiwan will be followed by another slamming of the door and the agreement the two sides hammered out over three days of discussions to return the crew and aircraft by the weekend—indicate that the cold war between the mainland

and Taiwan could be ending.

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AMERICAN NEWS

Mary Helen Spooner looks at obstacles to civilian rule

Pinochet's Chile split over reform

OVER 100 parliamentarians from Latin America and Europe gathered in one of Santiago's smarter hotels this week for a conference on democracy in Chile.

The purpose of the meeting, sponsored by Chilean opposition leaders, was to discuss the country's eventual transition from military to civilian rule.

Chilean authorities permitted the conference to take place, but despatched riot police to cordon off the streets surrounding the hotel, located in the city's centre. While motorists formed a mid-morning traffic jam, police turned away all vehicles and allowed only pedestrians bearing official invitations to approach the hotel. The area was to remain blockaded for the duration of the conference.

The peculiar blend of tolerance and heavy-handedness illustrates the recent divisions within General Augusto Pinochet's 12-year-old regime. One faction, headed by Interior Minister Ricardo García, wants

to see the government take a more moderate approach, opening the way for modifications in the country's authoritarian constitution and allowing free elections in 1989, the year General Pinochet's term in office ends.

Another faction, represented by army officers and several hard-line cabinet officials, is vigorously opposed to any such changes.

Law last month following a rash of bombings and shootings which left one policeman dead and four army officers wounded. Gen Pinochet proposed retreating into the state of siege which he had imposed since the middle of last year.

The proposal was rejected by the commanders of Chile's navy, air force and police force, who along with the army's vice-commander form the military junta which acts as a legislative body to Gen Pinochet's executive office. As a compromise, the commanders agreed to a series of military and police raids on poor and working-class neighbourhoods.

Troops in combat fatigues,

One faction wants a more moderate approach opening the way for modifications in the country's authoritarian constitution and free elections in 1989. The other is vigorously opposed to such changes.

Chilean detectives, riot police and agents of the Central Nacional de Información (CNI), the widely feared secret police intelligence unit, have staged joint operations in nearly the entire city since the residential sections of Santiago, rounding up thousands of people, mostly men and teenage boys, for identity checks.

According to the Chilean Human Rights Commission, over 15,000 people have been arrested in these sweeps.

The country's restricted newspapers and television news have reported only partially on the raids, referring to them as "military operations" or "revisions". With Santiago's archbishop, Cardinal Juan Francisco, asking the authorities to put a stop to the raids, a Government spokesman (and one of the

Cabinet's hardliners) denied that the police had informed such a request, saying that he only expressed concern for the manner in which the raids were undertaken.

The regime's more moderate faction has been aided in part by the continuing failure of opposition political leaders to agree on common goals and tactics.

At a recent conference on transitions to democracy held in Caracas, Venezuela, the Chilean delegation included representatives of no less than three wings of the country's Socialist Party, another four rightist—but anti-government—political groups. The Pinochet regime's strategy has been to allow opposition groups just enough freedom to divide into various fragmented units, the plan would seem to have worked.

On the other hand, this tolerance could end abruptly if a new opposition group consisting of labour, business, professional and other special interest organisations continue a campaign begun last month.

The group, calling itself the National Civic Assembly, met in a Catholic church refuge outside Santiago and issued a seven-point list of political and economic reforms.

The assembly's roughly two



Riot police seal off a street in Santiago

hundred delegates announced

that they would begin a series of protests which could include a general strike if their demands were not met within a thirty-day period ending this month.

Its member organisations include influential, and potentially powerful groups such as Chile's lorry drivers, doctors and retail merchants, and could conceivably put together another organised protest that opposition politicians have been able to do.

"A prolonged national strike is a legitimate alternative which social organisations have," Mr Hector Moya, president of the Santiago Truckers' Federation, said. "We think there are sectors which have been so

shocked by what has been done during the twelve years of this government who naturally will take immediate part in a strike."

Nevertheless, opposition groups in the past have attempted to mount a general strike—and failed. In mid-1980 three copper mine workers unions, truckers, and other trade unions announced an indefinite strike, which was only partially needed.

In October 1984 leftist political and labour groups called for a one-day general strike, which was ignored by most workers but which did succeed in disrupting activity in much of the capital.

The protest momentum was lost when a few weeks later Gen Pinochet ordered a state of siege, a measure he may be able to convince other military commanders as necessary if the National Civic Assembly or other opposition groups manage to organise another anti-government strike.

He maintained that the US

Baker makes urgent plea on US foreign aid budget

BY STEWART FLEMING IN WASHINGTON

US TREASURY SECRETARY Mr James Baker yesterday issued an urgent plea to Congress to approve a foreign aid budget large enough to permit the US to meet its obligations to help finance multilateral development agencies, such as the International Development Association (IDA).

Influential Congressmen have warned that they will propose sharp cut-backs in foreign aid in the face of the Reagan Administration's determination to trim back government spending for domestic programmes to cure the federal budget deficit.

However, Mr Baker said that the multilateral development banks (MDBs) were part of America's international economic strategy and the debt initiative which was launched last year is still in

place. In October last year Mr Baker called for the MDBs to play a bigger role in helping to ease the Third World debt crisis.

He pointed out yesterday that the MDBs "are the most cost effective from a US budgetary perspective. One dollar of budget authority for the World Bank translates into \$80 of lending authority" he added.

has been successful in negotiating a four year \$3.6bn replenishment of the Asian Development Fund, for which the US share is \$1.6bn a year.

He said that the Administration was prepared to support a \$10.3bn-\$12bn IDA funding.

Washington is pressing for increased interest rates on IDA loans of about 4 per cent and shorter loan terms of about 20 years, compared with 50 years at present.

Mr Baker made clear that because of difficulties the US is encountering in securing reforms in the way the Inter-American Development Bank (IADB) commits funds, its role in the debt initiative which was launched last year is still in

place. In October last year Mr Baker called for the MDBs to play a bigger role in helping to ease the Third World debt crisis.

He pointed out yesterday that the MDBs "are the most cost effective from a US budgetary perspective. One dollar of budget authority for the World Bank translates into \$80 of lending authority" he added.

ADVERTISEMENT

INSIGHT INTO CORPORATE STRATEGY

KONISHIROKU (KONICA): Researching the Future

Konishiroku (known abroad as Konica) has been exploring the field of information imaging for over a century. Best known as the maker of Konica (Sakura) film, this company features a whole line of industrial and consumer products which include photosensitive materials, cameras, medical equipment, magnetic products, copiers and printing systems. In fact, Konishiroku produced Japan's first plain paper copier (U-BIX) and sensitised materials and leads the pack in the manufacture of cameras.

The company's commitment to research has paid off in the form of such eye-catching technology as a colour copier, a new blood analyser, a still video system and KFDR (Konica Film Digital Radiography System), the latter of which is an image processing system which enhances X-ray film imaged for final diagnosis.

Consolidated net sales for the fiscal year ended April 20, 1985 reached ¥353.5 billion, up 5.7 per cent over the previous fiscal year. Research and development allotments at Konishiroku have also been expanded in order to come up with even more new lines. Company executives are certain the company's future lies in improving research.

By Glenn Davis



Mr. Megumi Ide
President
Konishiroku Photo Ind. Co., Ltd.

Appreciating Yen

Davis: The continuing appreciation of the yen on world markets must be having some effect on your company's international operations. Could you explain what these effects are and how future operations will be affected?

Ide: Like all other Japanese companies, Konica (Konishiroku) believes the high-priced yen will continue hurting our sales. Raising prices is a fairly easy thing to do but the problem lies in the reduction of competitiveness.

The majority agreed that the rights of 'white teachers' had been violated by a plan which had not been ordered by any court. There was no proof, the court said, that the school board had ever discriminated against minorities.

They spurned the argument that the school board was redressing general racial discrimination by hiring black teachers to provide 'role models' for black students could not justify discrimination in lay-offs.

The justices, who were acting in the first of three major affirmative action cases scheduled for this term, appeared to agree, however, on the desirability of positive discrimination plans to remedy past hiring discrimination and to reject the Reagan Administration argument that such plans should benefit only specific victims—an argument which threatens most large-scale affirmative action schemes.

Ide: Yes, I believe we are headed in the direction of technology export. Up until about 10 years ago, we paid out quite a bit in terms of royalties and patents but now our return is considerable. We have exported camera and copier technology to China and we maintain technological tieups with such companies as Ciba Geigy of Switzerland and BASF of West Germany.

Davis: It is generally true that Japanese companies spend smaller amounts on R&D compared to total sales than most Western companies. How much does your company spend?

Ide: Previously, our R&D costs were relatively low. This was mainly because we imported technology and that expense was not included in our R&D cost. Since we now are developing our own technology and not importing it, our R&D outlays have increased accordingly.

In the fiscal year ended April 20, 1985, we paid out a total of nearly \$1.8 billion from a total sales of more than \$300 billion, which figures out to about six per cent. We used to spend 3-4 per cent of total sales but for the past two to three years the figure has been around six per cent. This is

a tough percentage for management to accept but I believe these efforts will bear fruit within the next few years.

Ide: One of your biggest sellers are business machines such as the U-BIX copier series. There is the danger that the current copier concept may soon be replaced by such machines as computer scanners and the like. Are you working on some future concept for the office copier?

Enter The Colour Copier

Ide: We have diversified our lines into sensitised materials, copiers, cameras, audio/video tapes and others. This diversification continues but we are unique in that our company's lines include fine chemicals, optoelectronics and electronic products. This wide range gives us a greater flexibility to produce entirely new products. One promising new field for us is plastic lenses that we have developed from our own technologies. For example, we are supplying such companies as Sony and JVC with aspherical lenses for use in their compact disk players, and our market share is very large. These lenses are not only compact but light and price competitive as well as an entirely new market is emerging around them.

Our most exciting new product is the colour copier, capable of producing very high-quality duplicates. It took us one year of hard research to come up with this product, a hybrid crossover between copier and photographic technologies. Colour copiers are very handy for producing additional copies when colour materials must be produced in batches. The day will come when one may go to a copy shop with a colour print and ask for 100 copies within one hour. In February of this year we unveiled

our new colour video printer at the Las Vegas PMA (Photo Marketing Association) Show. This unit may soon become a standard part of colour TVs which would allow viewers to make hard colour copies of the screen at any time.

Ide: Your company is also quite advanced in medical technology. Can you give a few examples and explain how active you are in this field overseas?

Ide: We unveiled our Konica New Hiroto Film Type MG-MGH line of advanced X-ray films at the Radiological Society of North America meeting in November 1984. The experts there were surprised at the clarity of the films we provided. We are now working on developing an image processing system for medical use which employs high-level electronics technology. Some of the advantages of this new system are that a great amount of data can be input and that images can be sent over communication lines, allowing medical experts a networking capability. It should be ready for marketing by the end of this year or the beginning of the next.

Another exciting product is our automatic blood analysis system which requires only a small drop of blood to make multiple diagnoses in a very short time. This unit is very small, inexpensive and compact so is very useful for small clinics that cannot spare extra room for such large machinery as is normally required.

Konica In Europe

Davis: Konishiroku has several plants operating in Europe. Could you touch on the extent of your European network?

Ide: We are carrying out joint colour photographic paper production at the Ciba Geigy Plant in Switzerland. Our

previous tactic of exporting such colour paper from Japan was found to be impractical because of the long distance involved. A more effective approach is to manufacture near our user markets. Trade friction occurs in various market segments but it is largely unrelated to the larger problem of setting up factories closer to users in order to provide better services.

Ide: I know that your company sponsors various events that feature Japanese culture and sports events throughout the world. Is this one of your corporate strategies?

Ide: Our overseas PR events are handled by our subsidiaries in those countries. One example will be the two-week Kabuki tour to Paris in June. Tokyo and Paris are sister cities and it is Tokyo's turn for an annual event so we will send a Kabuki group of 60 persons to Paris called "Kabuki in Paris by Konica".

In California, we will sponsor the San Jose Classic golf tournament for ladies. Other events include gymnastics in Spain and soccer in Italy. We think that Konica has an appeal to the younger generations (as well as the older) in that we sponsor various sporting events around the world.

Davis: Please give us your own ideas on effective management philosophies.

Ide: We must make the transition from a company that simply provides products to one that offers technology and services. Producing systems with our own know-how, this company must develop unique systems that can stand alone and thereby create entirely new markets. We must continue to protect our four main pillars: photosensitive materials, office equipment/copy machines, cameras and magnetic products. Cameras are not expected to show dramatic future growth but they are an integral part of our business expansion.

We cannot afford the luxury of a me-too approach to the development of technology. Entire new avenues must be investigated to produce leading technology which in turn produces new hybrid products. This is a risky road to take but we must brave these dangers in order to provide the keys to our own future.

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Dubinin for Washington

THE Soviet Union yesterday named Mr Yuri Dubinin, a veteran diplomat who was appointed Soviet ambassador at the United Nations just two months ago, as its new ambassador in Washington. AP reports from Moscow.

Some lawyers contend that the SEC's search for additional documentary evidence against Mr Levine does not have a cast-iron case against him. Others believe it is designed to put him under pressure to reveal how he obtained his information, and force him to co-operate.

The announcement of Mr Dubinin's appointment on the official news agency Tass did

UK NEWS

Miners' union again fails to end receivership

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE NATIONAL Union of Mineworkers (NUM) has once again failed to rid itself of the receivership that has deprived it of control of its funds for nearly 18 months.

A High Court judge yesterday adjourned until next month the union's application to end the stewardship of the receiver, Mr Michael Arnold, of City chartered accountants Arthur Young.

Mr Justice Mervyn Davies said that he was satisfied that the NUM's property would be in safe and capable hands if put under the control of the union's new trustees - two Labour MPs, Mr Alan Easdie and Mr Mick Welsh, and Mr John Cummings, leader of the Easington (County Durham) council.

The judge said, however, that an obstacle to the ending of the receivership was a breach of trust action brought by Mr Arnold against a number of banks and NUM officials. The action concerns the transfer abroad of NUM funds shortly before the pit strike began in March 1984.

It was plainly desirable that that action - which this week had yielded £200,000 through a settlement with one of the banks - should be continued. Although the new trustees were willing to take over the action, the judge thought the prospects of success would be better if Mr Arnold continued the litigation.

The judge adjourned the hearing for counsel to see if it was technically possible to split the receivership - leaving Mr Arnold in charge of the breach of trust action and cer-

tain other outstanding matters while giving the trustees control of the union's property.

"This is a possibility that comes to me," the judge said.

His decision means that the receivership will remain in force until at least early next month, because the High Court vacation starts at the end of this week. Mr Arnold is present controls about £1m of the NUM's funds.

The judge had been told by Mr Gavin Lightman, QC, for the NUM, that it had given an unqualified assurance that it would not interfere with the trustees' conduct of the breach of trust action if it were handed over to them. The receivership had fulfilled its purpose and it would be oppressive to prevent it, he said.

ICI makes production switch

BY TONY JACKSON

ICI is to withdraw from bulk production of polyester fibres with the loss of 300 jobs at Wilton in Teesside, north-east England. The group is to switch its capacity to production of polyethylene terephthalate (PET), the fast-growing packaging plastic in which ICI is European market leader.

The production was told by Mr Alan Taylor, vice chairman of the union, that the Cubbon letter offered the best form of words for a procedure to settle the dispute. He dismissed the Lakes telex to the governors as "a public posturing" of a management that had been defeated.

The delegates were asked to consider a form of ballot agreed by the POA and the Prison Department that would decide the end of the action.

It said that, "pending the possible introduction of a national disputes procedure, when governors and local branches seek to alter existing agreements, they should first give 14 days' notice of their intention to allow for discussions of the proposed changes.

"If there is no agreement, either side could seek the introduction of a higher level (regional or national executive member). The aim of both sides is to see local disputes settled at local level."

WORK STARTED on an airport in London's disused docklands yesterday when Mr Michael Spicer, Parliamentary Under-secretary for Transport, made the first excavation.

The 1.1m London City airport is being built by John Mowlem six miles from the Bank of England.

"The project can hardly fail to succeed," Mr Spicer said.

The company has taken a 125-year lease on a 90-acre site around

tonnes per year, but around 100,000 tonnes were surplus to demand.

European market leaders are Hoechst of West Germany, Du Pont of the US and Rhône Poulenc of France.

ICI's share of the European PET market is over 50 per cent, with capacity of 55,000 tonnes a year out of a European total of some 100,000 tonnes. PET has grown rapidly since its commercial introduction in the early 1980s, being widely used as a substitute for glass in clear plastic bottles and making inroads into food packaging.

The PET capacity at ICI is to in-

crease by 10,000 tonnes in the first instance. The group said that when polyester had been wholly phased out over the next two to three years, there would be scope for a further increase of 20,000 tonnes, but this had not yet been cleared by the board.

ICI said it hoped to avoid enforced redundancies as a result of the latest move. Redeployment opportunities would be sought elsewhere in the group and outside.

Employment in ICI's fibres division in the UK has halved since 1978, from just under 10,000 to just over 5,000.

Work starts on docklands airport

BY LYNTON MCCLAIN

WORK STARTED on an airport in London's disused docklands yesterday when Mr Michael Spicer, Parliamentary Under-secretary for Transport, made the first excavation.

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"The project can hardly fail to succeed," Mr Spicer said.

The company has taken a 125-

year lease on a 90-acre site around the Royal Albert and King George V docks, owned by the Port of London Authority. John Mowlem will operate the airport when it comes into use in the third quarter next year.

Three UK airlines have applied to the Civil Aviation Authority (CAA) to start short-range services from the docklands airport. Brymon, British Air Ferries and British Midland Airways are all interested in starting services, but all are waiting

for the CAA to announce the dates of hearings into their route licence applications.

The services proposed include flights from docklands to Paris, Amsterdam and regional airports in the UK.

Brymon was the original supporter of the concept of an airport on the disused wharves. Forty per cent of the airline is owned by the state-owned British Airways.

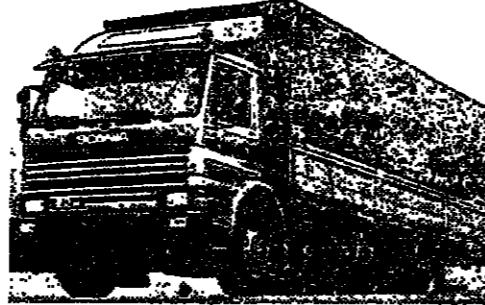
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UK NEWS

BR's workshops to lose up to 5,000 more jobs

BY ANDREW FISHER, TRANSPORT CORRESPONDENT

UNION LEADERS gave a warning of possible strike action yesterday after British Rail (BR) said that up to 5,000 more jobs would be lost at its manufacturing and repair works over the next three years.

Together with job losses already notified to the unions, the total of BR redundancies in these divisions and at its depots could approach 8,000 people.

BR said its reduced maintenance needs, as new and tougher equipment was introduced, meant that between 4,200 and 5,000 more jobs would have to go at British Rail Engineering Ltd (Brel) works up to 1988.

It has already told unions of 1,750 planned redundancies and it also intends to cut the labour force at its regional depots by 900 over three years. BR will close 16 maintenance depots out of more than 100.

Mr Jimmy Knapp, general secretary of the National Union of Railmen (NUR), said he would recommend to its executive committee that members be balloted on industrial action, including possible strikes.

Last summer, however, guards voted against industrial action over driver-only trains.

"It's a devastating blow. It's a black day for our railway workshops," Mr Knapp commented on the job losses. He claimed BR was concerned less with efficiency gains than with the possible privatisation of Brel.

"What we've seen emerge today is for us a horrendous and horrific picture that presents a bleak prospect for the future for thousands of people," Mr Knapp added.

Mr John Paletta, BR's personnel director, said the job cuts were not dictated by the aim of privatising Brel, which now employs just under 23,000 people compared with 35,000 six years ago.

Unions he said, had been told that BR was considering the future of Brel, including possible privatisation. No decision had been taken and the Government would be told of BR's views on the various options. He said the latest job cuts were aimed at saving BR at least £30m a year on its maintenance bill, now over £300m.

The main impact will fall on the maintenance workshops at Doncaster in Yorkshire, Wolverton in Buckinghamshire, Eastleigh in Hampshire and Springburn in Glasgow.

Peace talks begin in power dispute

BY PHILIP BASSETT, LABOUR EDITOR

POWER ENGINEERS are convinced that there is little support among manual workers in the electricity supply industry for the overtime ban proposed by their unions to come into effect this weekend over pay and grading.

Talks on the dispute between leaders of the four manual unions and the Electricity Council, representing all 12 area electricity boards, were still in progress late last night.

Those involved in the talks were convinced that unless they went very badly wrong, a settlement in the dispute was likely before the manual workers' overtime ban starts at midnight on Sunday.

A further indication of the likelihood of a settlement emerged yesterday when it became clear that the employers had a private pre-meeting on Monday with officials of Acas, the conciliation service. The unions had a similar meeting yesterday, thus clearing the ground for full-scale conciliation when the talks got properly under way.

The executive council of the amalgamated Engineering Union yesterday approved the union's stance in the dispute, but said it hoped that the talks would lead to a settlement.

Part of the reasons behind the thinking that a settlement is likely may well be the unusual circumstances taken among engineers in the power stations that there is little support for an overtime ban.

Overtime earnings for manual

Thatcher will name successor to Joseph

THE LONG-AWAITED Government reshuffle to replace Sir Keith Joseph as Education Secretary will almost certainly take place later today, Peter Riddell writes.

There was considerable speculation among ministers and Tory MPs last night about the identity of the new Education Secretary, but there were no firm indications amid the conflicting gossip and rumours.

The timing is apparently because Sir Keith is going to the US on Thursday and wants to have his successor named by then. He will probably remain within the Cabinet, however. Indications are still that the reshuffle will be relatively limited, involving a new Education Secretary and a few consequent changes.

AMERADA HESS, US oil company, has asked the Department of Energy, for permission to postpone for one year a \$400m North Sea development project because of the fall in the oil price.

This would be the first time that a North Sea operator has backed off from a major project after receiving official approval under the "Annex B" procedures. The project is in the Ivanhoe/Rob Roy field about 90 miles north east of Peterhead. The first oil had been due to start flowing in 1986. The field was expected to produce 50,000 barrels per day from its 90m barrels of reserves.

Postponement would be seen as an awkward precedent by ministers who are anxious to keep up the momentum of exploration and development in preparation for the tenth licensing round expected to get under way this summer.

TOURISTS visiting Britain this year will reach record numbers in spite of fears over possible terrorist actions, Mr David Trippier, Employment Under-secretary, told the House of Commons.

He said that the British Tourist Authority had forecast that 15.1m overseas visits would be made this year, an increase of 4 per cent on last year's record 14.5m. The number of American tourists was likely to fall by 15 per cent, implying a 3 per cent cut in total tourist spending.

PROPOSALS of the Top Salaries Review Board, which settles the salaries of senior civil servants, judges and some others, should be implemented in a way that would "give a lead to the country," a Tory MP told Mrs Margaret Thatcher, Prime Minister, in the House of Commons.

Mr Andrew McNair-Wilson said this would accord with ministerial insistence on the continued importance of pay restraint. Mrs Thatcher said an early statement would be made.

PILKINGTON, the glass group, is to close its rock wool insulation factory at Stirling in Scotland with the loss of 257 jobs. The group blamed declining demand and the plant's wholly disadvantageous location.

Pilkington bought the Stirling plant and another at Queensferry, North Wales for £3m from Cape Industries less than 18 months ago. The Queensferry plant is to be expanded to create 60 jobs.

Chelsea and Fulham football clubs could eventually share a purpose-built stadium in West London as the result of a £1m takeover deal.

Marler Estates, the property company which already owns Chelsea's Stamford Bridge football ground, said yesterday that it had agreed to acquire Fulham Football Club and its Craven Cottage ground for £3.5m in cash and the repayment of loans and creditors totalling some £1.5m.

Rival bids for Berisford referred to commission

BY ANDREW GOWERS

THE TWO rival bids for S. & W. Berisford, the commodity trading and processing group, were put into cold storage yesterday when Mr Paul Channon, the Trade and Industry Secretary, ruled that they should both be referred to the Monopolies and Mergers Commission.

The commission, following a recommendation from Sir Gordon Barrie, the Director General of Fair Trading, has been asked to report within six months on the proposed acquisition of Berisford by either Tate & Lyle, the cane sugar refining group, or by Hillsdown Holdings, the UK food and furniture group.

Both bids have aroused controversy because they involve British Sugar (BSC), the UK beet-processing monopoly owned by Berisford.

Tate & Lyle, which has been suffering from a bitter price war in the UK market, is keen to acquire BSC and sell Berisford's core commodity

Lex, Page 29

United may move titles from Fleet Street base

BY RAYMOND SNODDY

UNITED NEWSPAPERS is considering moving its national titles out of Fleet Street in central London. The company, which publishes the Daily Express and Sunday Express and The Star, a popular daily, is going to review all options including the possibility of moving to contract printing.

Senior United executives emphasise that no decision has yet been taken.

The intention is to decide this year whether or not to stay in Fleet Street. If United were to decide to move several other national newspapers and build a printing plant in London's Docklands, the aim would be to complete the move within two years.

The news of the review emerged after United's annual meeting yesterday.

مكانت من الأصل

SIEMENS**Information for Siemens shareholders****9,000 additional employees**

Strong rise in capital investment – continuing growth in German domestic business

The cyclical nature of the power plant business and above all the increased strength of the German mark against the dollar had an adverse effect on the percentage changes during the first six months of the current financial year, the period from 1 October 1985 to 31 March 1986. If the power plant

business is excluded, German domestic sales rose by 10% and domestic new orders by 7%. Siemens anticipates continuing growth in domestic and international business and as a result has recruited 9,000 additional employees and boosted capital investment by 69% to £657m.

Sales

During the first six months of last year, Siemens sales grew by a significant 33% to £7,771m owing to the billing of two nuclear power plant contracts (Gundremmingen C and Grohnde). Because no nuclear power plant was billed in the first half of the current financial year, Siemens world sales have dipped 18% to £6,401m. Excluding the power plant business, Siemens recorded a slight growth

in total sales, including a strong 10% rise in domestic business. In real terms, international sales were also higher than last year.

in £m	1/10/84 to 31/3/85	1/10/85 to 31/3/86	Change
Sales	7,771	6,401	-18%
Domestic business	4,335	3,011	-31%
International business	3,436	3,389	-1%

New orders

The level of new orders reflected the absence of new power plant contracts in the Federal Republic of Germany and the effect of exchange rate fluctuations on international business. As a result worldwide order intake, at £7,263m, was 13% down over the same period last year. Without the power plant business, domestic order bookings rose by 7%. Siemens anticipates that new orders world-

wide will exceed £15,000m over the current financial year.

in £m	1/10/84 to 31/3/85	1/10/85 to 31/3/86	Change
New orders	8,384	7,263	-13%
Domestic business	4,072	3,310	-19%
International business	4,292	3,953	-8%

Orders in hand

Orders in hand moved up 3% to £16,177m during the first six months. Inventories were increased to £5,786m (last year £5,159m) primarily in support of long-term systems business.

wide will exceed £15,000m over the current financial year.

in £m	30/9/85	31/3/86	Change
Orders in hand	15,696	16,177	+ 3%
Inventories	5,159	5,786	+12%

Employees

Following the 20,000 new jobs created last year, the total number of employees was again increased by 9,000 to 357,000 over the first half of the current financial year. The workforce was expanded by 5,000 in the Federal Republic of Germany and Berlin (West), and 4,000 people were added abroad. An average of 352,000 employees were on Siemens' payrolls during the six months under review, 6% more than for the same period last year.

in thousands	30/9/85	31/3/86	Change
Employees	348	357	+ 2%
Domestic operations	240	245	+ 2%
International operations	108	112	+ 3%

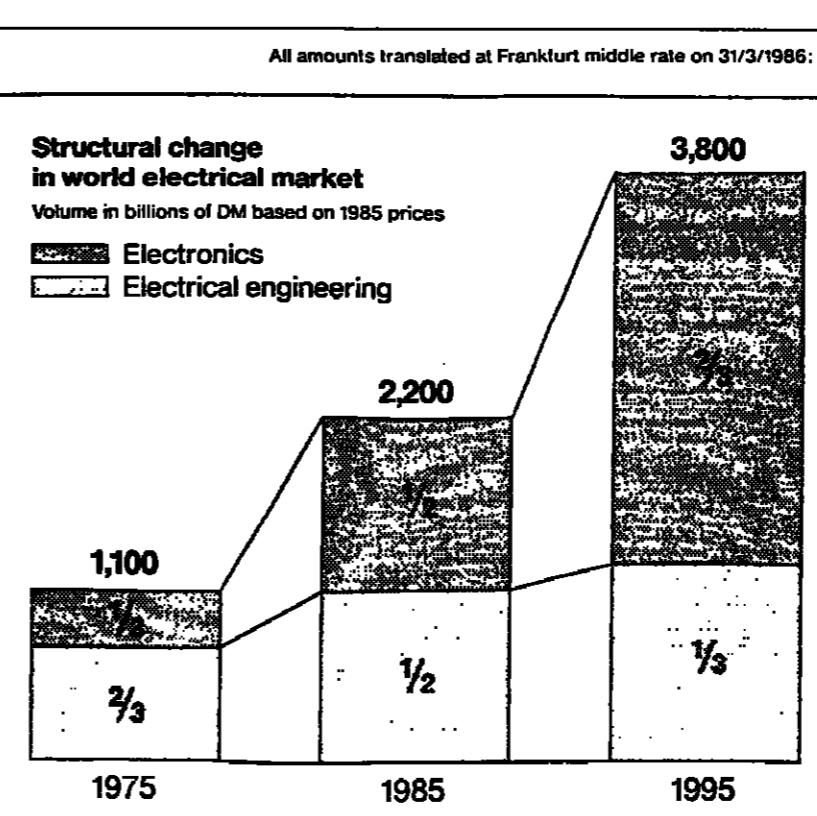
in thousands	1/10/84 to 31/3/85	1/10/85 to 31/3/86	Change
Average number of employees in thousands	332	352	+ 6%
Employment costs in £m	2,742	2,962	+ 8%

Capital spending and net income

Siemens increased capital expenditure and investment to £657m during the first six months, 69% above last year's comparable figure. Capital spending of around £175m is planned for the entire financial year. Net income after taxes was £185m, yielding a net profit margin of 2.9% as against 2.8% for the entire 1984/85 financial year.

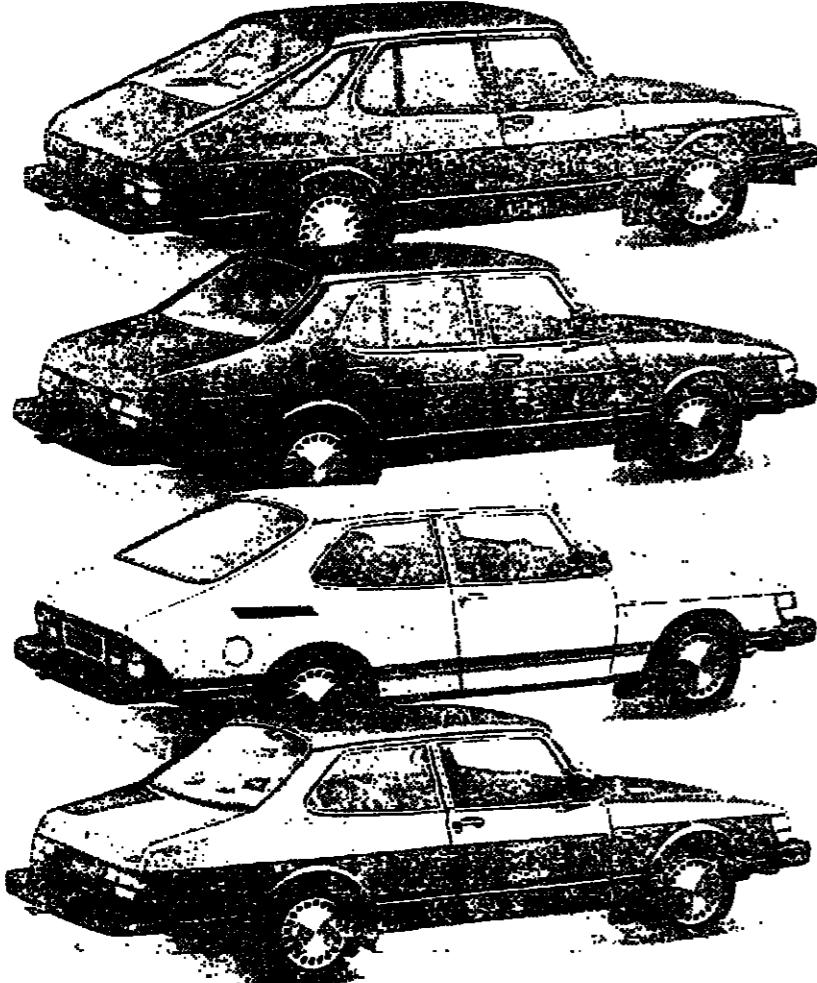
in £m	1/10/84 to 31/3/85	1/10/85 to 31/3/86	Change
Capital expenditure and investment	389	657	+69%
Net income after taxes	185	185	0%

All amounts translated at Frankfurt middle rate on 31/3/1986: £1 = DM 3.443.



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UK NEWS

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Robin Reeves looks at Wintech's role as technology broker for small and medium-sized Welsh enterprises

Cooking up combinations of good ideas and practical products

MR ALWYN HUGHES, director of Mellaforce, a London-based retail services company, was fitting out a large restaurant in Leeds when the idea came to him of "Autocall" — a simple electronic signalling system to improve communications between chef and waiter.

In the past Mellaforce had turned to Japan to translate business ideas into practical products. Mr Hughes was about to do so again when it was suggested he also try the Welsh Development Agency to see if this particular product could be designed and manufactured in his native Wales.

Mr Hughes quickly found himself talking to Dr Clive Thomas, founder of the agency's new Wintech division. Dr Thomas put him in touch with electronic consultants, Cronix of Cowbridge, South Glamorgan, who not only came back with a product design within two days (Japan had taken a month), but also with a tender notice for manufacture under sub-contract which was 20 per cent below Mellaforce's Japanese quotation.

The potential market for Autocall extends well beyond restaurants. It is also an ideal cheap signalling device for hospitals, factories, supermarkets and department stores.

But as well as meeting Mr Hughes' requirements, it has provided a useful early success for the Wintech organisation —

established 18 months ago to try to encourage Welsh companies to take on board new technology and to give Wales more of a high tech image.

When chartered accountants Deloitte Haskins and Sells carried out the feasibility study for Wintech, they saw it as an industrial equivalent of the Agricultural Development and Advisory Service, whose patient work since the second world war has contributed significantly to the dramatic growth in agricultural productivity.

As it turned out, Wintech has a budget of only £500,000 and a staff of five and is therefore not able to mount a comprehensive advisory service for Welsh companies.

Instead, Dr Thomas, who is returning to Bradford University, from where he was seconded to Wintech, has been trying to improve links between the Welsh industry and researchers in Welsh colleges and universities.

Several research "clubs" now exist linking Welsh high tech companies with researchers with the aim of creating centres of excellence in Wales. Other initiatives are helping companies tap into regional, industrial and research aid.

Dr Thomas is already convinced that Wintech's role of "technology broker" to small and medium-size enterprises in

Wales ought to be copied in other parts of the UK where the traditional industrial base has declined sharply and which are struggling to rebuild a prosperous economy.

"If a company is street-wise it will identify gaps or new opportunities in the market. But smaller companies don't have the technical resources to exploit them. We can provide that back-up," says Dr Thomas.

He believes that many companies do not appreciate the extent to which overcoming technical weaknesses or problems within their existing products can lead to new business.

Apart from helping Mellaforce with Autocall, Wintech's Product Development Service has also assisted Excalibur Tools, a Merthyr Tydfil-based company which, having launched itself with a prize-winning DIY tool, is pointing brickwork

at Wintech for help to develop its idea for a tool

that can measure any angle.

Another beneficiary has been Scanwell Vacuum Engineers of Bala which sought help to develop an electronic pressure gauge for vacuum vessels.

Wintech put both companies in touch with scientists at the Polytechnic of Wales who had the particular product design skills each required.

parts of Wales on inward licensing and has identified a dozen companies which require new products to match their existing production and marketing capabilities. It is certain there are many more that could benefit.

It has also assembled a list of consultants, each with knowledge of a particular sector who, for a fee of typically £6,000, will identify products which match a company's existing manufacturing and marketing capacity and obtain samples for test marketing from the potential licensor.

For smaller companies which cannot afford to employ their own consultants, Wintech is putting together groups of companies to find products in which they can all have a stake.

Wintech's technology licensing efforts are helped by its recently established links with two comparable technology transfer organisations on the continent: DILK in France, and ARISTE in West Germany.

Both have played a technology transfer role via the chambers of commerce in their respective countries.

Under the tie-up, Wintech, DILK and ARISTE are required to offer to each other 40 product licensing opportunities each year. They can be of varying levels of technology but must

Liverpool may face new crisis on budget

By Ian Hamilton Fazey

MR KENNETH BAKER, the Environment Secretary, yesterday agreed to meet a deputation from Liverpool City Council on Friday but laid down two conditions. No money would be available to avert another looming budget crisis in the city and there would be no special treatment under urban aid programmes.

Government sources believe that Liverpool is again heading for a serious budget crisis.

The city's capital programme commitments amount to £105m for this year, a sum that can just be met from government allocations, unused funding from last year and remaining capital balances. But that will mean that there will be no money in the capital account to bridge a current-account deficit.

Those would have to be met out of the current account budget. That is already £27m over the city's income for the year.

All departments have come up with economies involving cuts in jobs and services totalling £42m. But those have been referred back as the cuts would conflict with Labour's council election pledges.



Nicholas Edwards, Welsh Secretary: stalking Japanese subsidiaries

The £17m Mission which could save Goldcrest's fortunes

BY RAYMOND SNODDY

BEFORE Mr Jake Eberts decided whether to return to Goldcrest Films and Television as chief executive, he asked to see early footages of the Roland Joffé/David Puttnam film *The Mission*.

When he had seen it, Mr Eberts sent a telegram to David Puttnam, the producer in Colombia where the film was being shot. It read: "Thank you for saving Goldcrest."

"That may turn out to be a prophetic telegram," Mr Eberts said yesterday, as he tried to assess the impact on Goldcrest's future of *The Mission* winning the Golden Palm for best film at the Cannes Film Festival on Monday night.

Prizes do not translate directly into box office revenue, but Mr Eberts believes that in the main European markets the Golden Palm could be worth an extra \$1m to \$2m for the picture.

The Mission is the third of three pictures which cost the British independent production company £24m and put its future in jeopardy.

Revolution was a box office disaster particularly in the US. *Absolute Beginners* is doing better but is likely to break even at best and much now rests on the fate of *The Mission*, which cost £17m to make.

Mr Puttnam, a director of Goldcrest, sought permission to have the film shown at Cannes even though it was not yet in its finished form. He did it partly to try to save Goldcrest and partly to prevent his film going down with a sinking ship.

The prize, Mr Eberts says, is very encouraging but he is even more gratified by the response of the filmgoers and industry executives at the Cannes screening. When it was over, Mr Eberts says there was a 10-minute standing ovation. He was frequently stopped in the street

Leyland launches range of light truck diesels

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND TRUCKS, the state-owned BL subsidiary, is to launch a new range of light truck diesel engines, called the Leyland 300 series. This event also marks the end of the company's operations at Bathgate, west of Edinburgh, in Scotland.

The new Leyland engines are based on the Cummins B series units which the two companies have jointly developed over the past four years for automotive use in Europe. Cummins will build them at its factory at Darlington, County Durham.

They replace the 98 series engines which were made at Bathgate. Leyland announced amid a political storm in May 1984 that Bathgate would close in June this year with the loss of all remaining 1,770 jobs. At the peak, in 1977, Bathgate employed 8,700.

Leyland two years ago also cancelled a £20m scheme to bring the Leyland 300 into production at Bathgate under licence from Cummins.

The company said yesterday that talks for sale of part of the Bathgate site were going on with a number of organisations, but its own operations there would end at the beginning of next month.

The Leyland 300 series spans the power range from 115 to 180 brake horse power in naturally aspirated and turbocharged versions. At first only the naturally aspirated versions will be available, with an upper power limit of 130bhp. They will first be used from the

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Leading the way to the USA

TECHNOLOGY

Peter Marsh on the consultancy company the big guns call in when problems prove too tricky for in-house research

Technology taskforce behind many a household name

MAKE A call from a British Telecom payphone, pick up an IBM personal computer, or munch your way through a packet of Walkers crisps—and you may well come into contact with the ideas of an unusual yet little known UK company specialising in the commercial applications of science and technology.

PA Technology, an 800-strong technical consultancy based in Melbourne, near Royston, is far from being a household name. The details of its work are normally kept quiet, on the insistence of the clients which foot the bills and are loath to give away trade secrets.

The company was set up in 1969 under the wing of PA, the management consultants. It expects this year to earn £50m, three-quarters of it for work outside the UK, through sales of technical expertise.

In addition to the Melbourne laboratory, a futuristic-looking building designed in the early 1970s by Mr Richard Rogers, the architect of the new Lloyd's headquarters in London, the company operates from three other research centres in Brussels, Princeton in the US and Melbourne, Australia.

At any one time, PA Technology is likely to be working for about 300 clients, according to Mr Gordon Edge, the company's chief executive and founder. The customers include

some of the world's best known companies in a range of industries, from food to electronics and from chemicals to car engines.

The clients pay PA Technology either to supplement their own research expertise in tackling a particularly tricky problem—say in a manufacturing system that has seized up for no apparent reason—or to design a new product or process from scratch.

PA Technology spends about £5m a year investing in production and scientific equipment both to keep ahead in a broad variety of research disciplines, particularly in new materials, manufacturing automation and biotechnology, and to turn out prototypes on behalf of clients.

Other groups of technical consultants which fall upon a similar broad range of scientific disciplines are mainly US-owned. They include Arthur D. Little, SRI International and Battelle Institute.

According to Dr Nico Hawkinus, in charge of corporate product development at Philips, the Dutch electrical and electronics group, technical consultants are playing an increasingly important role in helping big companies in scientific matters. "As the spread of technology widens, even the biggest companies realise they cannot do everything themselves."

SKILLS TAKE PREFERENCE OVER PRODUCTS IN DRIVE FOR EXPANSION

"I'M NOT that interested in forming a company with large annual sales based on products—I am interested in building up a big organisation based on skills," says Mr Gordon Edge, chief executive and founder of PA Technology.

In the late 1960s, Mr Edge sat on the idea of asking a big management services organisation to hire him to set up a technical consultancy. The reasoning was that the management company would already have a long list of large corporate clients which might like to call in technical experts to sort out scientific problems.

With a colleague, Dr Roy Hawkins, Mr Edge first approached Arthur D. Little, the Boston-based consultants. Both men at the time were working for Cambridge Consultants, a small contract

research group mainly comprising Cambridge University graduates.

According to Dr Hawkins (who left PA Technology in 1973 and has since formed his own consultancy) the US company was interested in the proposition, but the deal did not go through because Mr Edge, characteristically, preferred a British backer. This emerged soon after in the shape of PA, another company of management consultants.

Ironically, Arthur D. Little eventually bought an 80 per cent stake in Cambridge Consultants when the Cambridge concern hit financial difficulties in 1971.

Mr Edge has no shortage of admirers. Mr Don Hammond, one of the founders of Hewlett-Packard's Palo Alto research laboratories, who is in charge of the US concern's technical centre in Bristol,

says: "I have met few men who I have been more impressed with. He is simple and direct and I like his tenacity."

An ex-employee of PA Technology says of Mr Edge:

"The success of the operation can be laid at his door. He very clearly lays down the ground rules. Gordon is a workaholic in every sense of the word. He is not at home for more than a few hours back to back but is off around the world making contacts and generating business."

According to Mr Edge, teamwork is at the heart of technological innovation. PA Technology is run rather like an extremely commercially-minded university, with different departments interacting closely with each other.

The 800 staff, mainly scientists and engineers, are split into groups excelling in what Mr Edge calls the company's

sign in which three robots position button-sized spring assemblies in the base of the key-board.

In other work, the Melbourne concern has helped Cadbury, the UK confectionary company, with the design of chocolate production lines. The company was responsible for some of the development of payphones produced by Plessey for British Telecom.

In its projects, PA commonly

includes work on medical endoscopes (devices for viewing inside the human body) for Reichert of the US, the design of semiconductor components for Siemens and work in optical materials for Kuraray of Japan.

In its projects, PA commonly

brings in a range of researchers from different scientific areas. Combined, expertise in produc-

tion engineering and fibres, was

useful in sorting out a tangle on

a production line to make

brushes run by a Norwegian

toothbrush manufacturer.

Another example of inter-

disciplinary thinking came in

advice to a concrete maker

which wished to branch out into

biotechnology. The company

was told that its concrete pipes

could, with a little adaptation,

make suitable vessels for

fermentation reactors.

Not all of PA Technology's

projects come to fruition. An

engine company was once told

to coat the insides of its ex-

haust cylinders with enzymes

(naturally occurring proteins

which catalyse chemical reac-

tions) as a way of monitoring

fine gases. The suggestion was

to be taken up.

Although PA Technology

does not discuss its fees, they

are said to be high. They are

normally worked out on the

basis of a fee for a specific

project, which can sometimes

take years. Daily fees for one

consultant can work out at

£400-£800.

You only go to them if you

can't solve it in any other way,"

said a manufacturing director of

a UK-based multinational food

company, who asked not to be

named. "They are very pro-

fessional, very competent and

superb at organising themselves

around a specific problem."

But the cells are already

small in central London and

Cellnet, which predicts it will

have insufficient capacity

beyond the end of this year,

has chosen sectorisation instead.

Here, a cell transmitter

does not send all its

signals in all directions as is

normally the case.

Instead, six 60 degree direc-

tional "sectors" are used,

each with its own set of

channels, any one of which

might be allocated to a vehicle

moving through the segment.

This allows channels to be re-

utilised in opposing direc-

tions, giving greater effective

capacity. Consequently, Cell-

net will be able to cope with

60,000 mobiles with 300 chan-

nels within the M25 area.

Directional aerials lift capacity of Cellnet

CELL SECTORISATION will be introduced over Britain's spring bank holiday period by Cellnet, one of the UK's two cellular mobile radio companies.

Sectorisation is a means of increasing the number of subscribers that can be accommodated, and will ease the congestion becoming evident in central London at certain times, after only 18

months of operation.

The "classical" method of

doing this is to reduce the

size of the cells and the power

of the cell transmitter, allowing

the channel frequencies of

one cell, not far away

without fear of mutual inter-

ference, increasing the total

number of cells available.

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small in central London and

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net will be able to cope with

60,000 mobiles with 300 chan-

nels within the M25 area.

THE REAL SUCCESS
IS
GECAVIONICS
EXPORTING
TECHNOLOGY

VISYDATA TERMINALS from Sony will soon have been installed in Westgate, Gloucester, the first UK branch of the Japanese Society for Information Services.

At each branch, the terminals are linked via the telephone network to the computer database of the UK's major life assurance companies, allowing instant insurance quotation for life, savings and pension products.

Eventually, it is hoped to issue "prepaid" documents direct from the insurance company to the Westgate branch, on a private basis.

WORTH WATCHING

Edited by Geoff Chapman

LASER PRINTERS are set to eclipse all other types by 1990, in a new report from Frost & Sullivan, the market research company.

Non-impact printers, now microcomputers will turn into a \$3.5bn market in the US by 1990, largely because these types often near-letter quality at speeds 20 to 30 times that of daisywheels, at 60 per cent of the daisywheel noise level and for a price with more expensive daisywheels.

From a base of only \$2.4m in 1985, nearly \$1.4bn of laser, thermal and inkjet machines will be sold in the US in 1990, says the report.

YELLOW PAGES will go electronic in the UK early next year, reveals British Telecom. Information on advertisers will be held in a central database, accessible at no cost apart from the phone call by anyone with a suitable communications terminal.

Electronic Yellow Pages (EYP) will initially cover the London, Reading and Guildford areas and any company currently paying for advertising at semi-display level or above in the ordinary Yellow Pages will get free listing electronically.



Mr Gordon Edge, chief executive of PA Technology, which has played an important role in the development of products for many large companies such as British Telecom, Philips, Cadbury and IBM.

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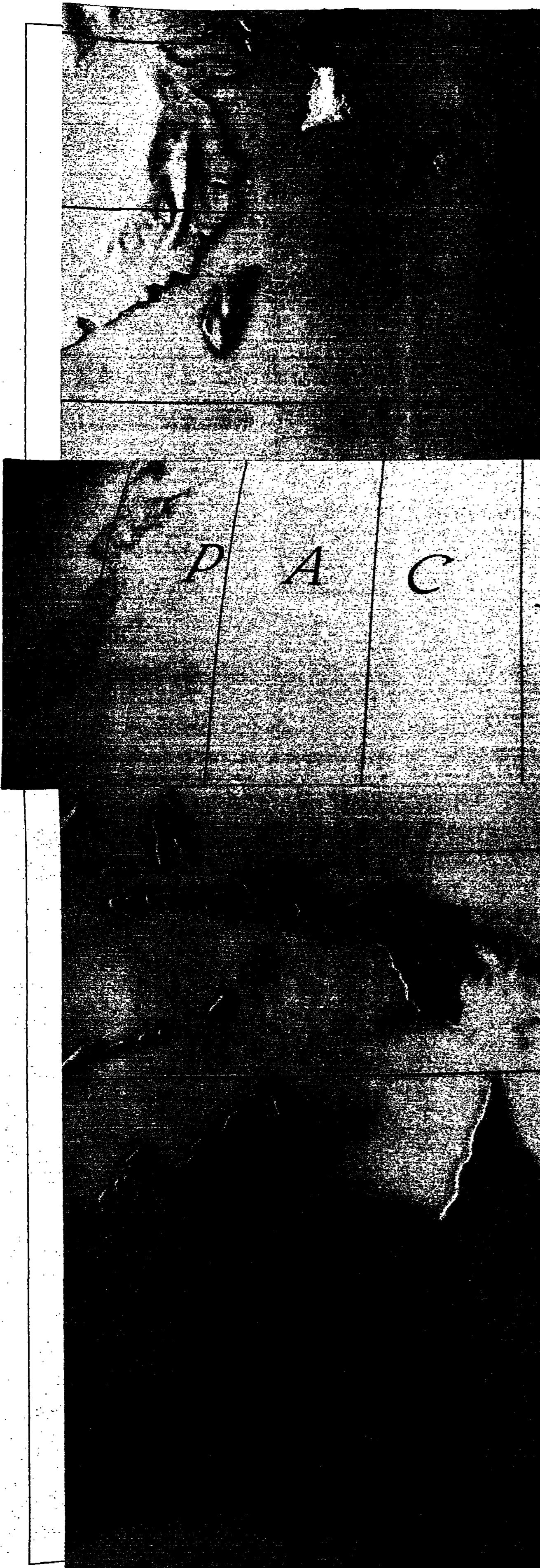
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And after many years of involvement in Australia, Standard Chartered introduced a full banking service on receiving government approval.

170 branches in the Pacific basin—which is the envy of many banks now scrambling for a foothold in the region. It is also a depth of experience of the greatest potential value to international business.

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Yet all this is only one example of the way that Standard Chartered, with over 2,000 branches in 60 countries, is a bank which is single-mindedly committed to the use of its resources to meet its customers' needs better.

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1. Interest Payment Date: 22nd September, 1986

2. Rate of Interest for Sub-period: 7 1/2% per annum

3. Interest Amount payable for Sub-period: US\$ 65.89 per US\$ 10,000 nominal

US\$ 1,647.14 per US\$ 250,000 nominal

4. Accumulated Interest Amount payable: US\$ 187.25 per US\$ 10,000 nominal

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5. Next Interest Sub-period will be from 23rd June, 1986 to 23rd July, 1986.

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COMPUTER INDUSTRY

DEC: the critics grow quieter

By Jason Crisp

ALTHOUGH Digital Equipment has doubled its size in less than four years to become the world's second largest computer company, it has still been criticised for its lacklustre financial performance, tired product range, invisible marketing, over-staffing and poor margins.

Lately the critics have grown quieter. DEC is back in favour with Wall Street because it has reorganised, cut costs, launched a host of new products and reported a sharp improvement in profits in the middle of a general slump in the computer market. As a result, analysts have started to praise DEC—even if its margins are weaker than many would like.

Mr. Ken Olsen, the tough, blunt engineer who founded and still runs this \$6bn-a-year company, appears disdainful of much of that past criticism. He feels the critics concentrated on short-term problems while ignoring the company's long-term strengths. "We are not going to waver from our concentration on the importance of the long-term," he says.

As an example he cites DEC's commitment since the 1970s to the development of linking computers together in vast networks. This is an area where DEC now leads its rivals and which is helping it break into new market areas.

While DEC is still best known as a minicomputer company, its sales range stretches from personal computers to the equivalent of mainframes. In the marketplace it meets International Business Machines at every turn. "But we don't always meet our traditional rivals Hewlett Packard, Prime or Data General," says a senior DEC executive.

DEC also stands apart from the bunch companies—the five struggling US mainframe computer companies which are dwarfed by IBM. Indeed, some analysts believe DEC is now IBM's most credible rival in computers. Even so DEC's annual revenues of \$6bn just about match IBM's profits.

Unlike its mainframe rivals, DEC has the advantage of a very strong base in minicomputers from which it has spread to compete in other areas. Its VAX range of superminis have on one hand been put into clusters to compete with mainframes and on the other reduced to a single microchip which goes into a workstation.

The strength of the powerful VAX range in the minicomputer market has also meant a large amount of soft-

ware has been written for the DEC system. And because it is a single family of computers with the same architecture and operating system, the software written for the minicomputers can be run by its largest and smallest computers—a boast which even IBM can not match.

that are wedded to IBM can at least consider buying some computers from DEC too. The last three years have, however, been uncomfortable for DEC. It has seen small new companies make substantial inroads into the Computer Aided Design market where it was once dominant and its own entry into the personal computer market has been very disappointing. In addition, a major re-organisation resulted in a dozen top executives leaving.

"DEC had an almost arrogant belief in its own engineering skills and strategy. It has only recently really discovered how important things like organisation and marketing are and it is paying more attention to them," one analyst notes.

Nearly three years ago DEC underwent a big management upheaval which in part marked the end of the entrepreneurial era dating from its foundation in 1957. About 15 independent product divisions, which often overlapped and competed

company like DEC needs more people to prepare for the future. "We take on more people so we can grow them and give them more responsibility. We generate more leaders than we need... that is our goal and it is expensive," he says.

DEC is benefiting from a substantial improvement in its product range from new equipment to faster computers. Earlier this year it held a big show in Boston for its customers at which it claimed that about 98 per cent of the products had not been available 12 months earlier.

The new more powerful products will enable existing DEC customers to upgrade their systems. It also enables DEC to regain its lost share for high performance minicomputers which had been stolen by its smaller rivals.

No one is suggesting that DEC has done all it should to improve efficiency and profitability or that it does not face considerable problems compet-

THE KEY FIGURES

	1984 (9 month to March)	1985 (9 months to March)	1984 1985 1983 1982 1981				
Revenue	5,414	4,834	6,486	5,584	4,272	3,881	3,796
Net income	378.7	346.2	446.7	328.8	283.6	477.2	342.3
Year end June 30							

aggressively, were abolished and several senior executives left. "It was a hard thing for all those leading the group. They liked their independence so they left to do it on their own," Mr Olsen says.

The company has also taken action to improve its financial position. Much tighter controls have reduced DEC's high levels of stocks and the number of people employed in manufacturing have been reduced by about 5,000—without redundancies. Manufacturing employment is expected to continue falling with the rapid introduction of automation.

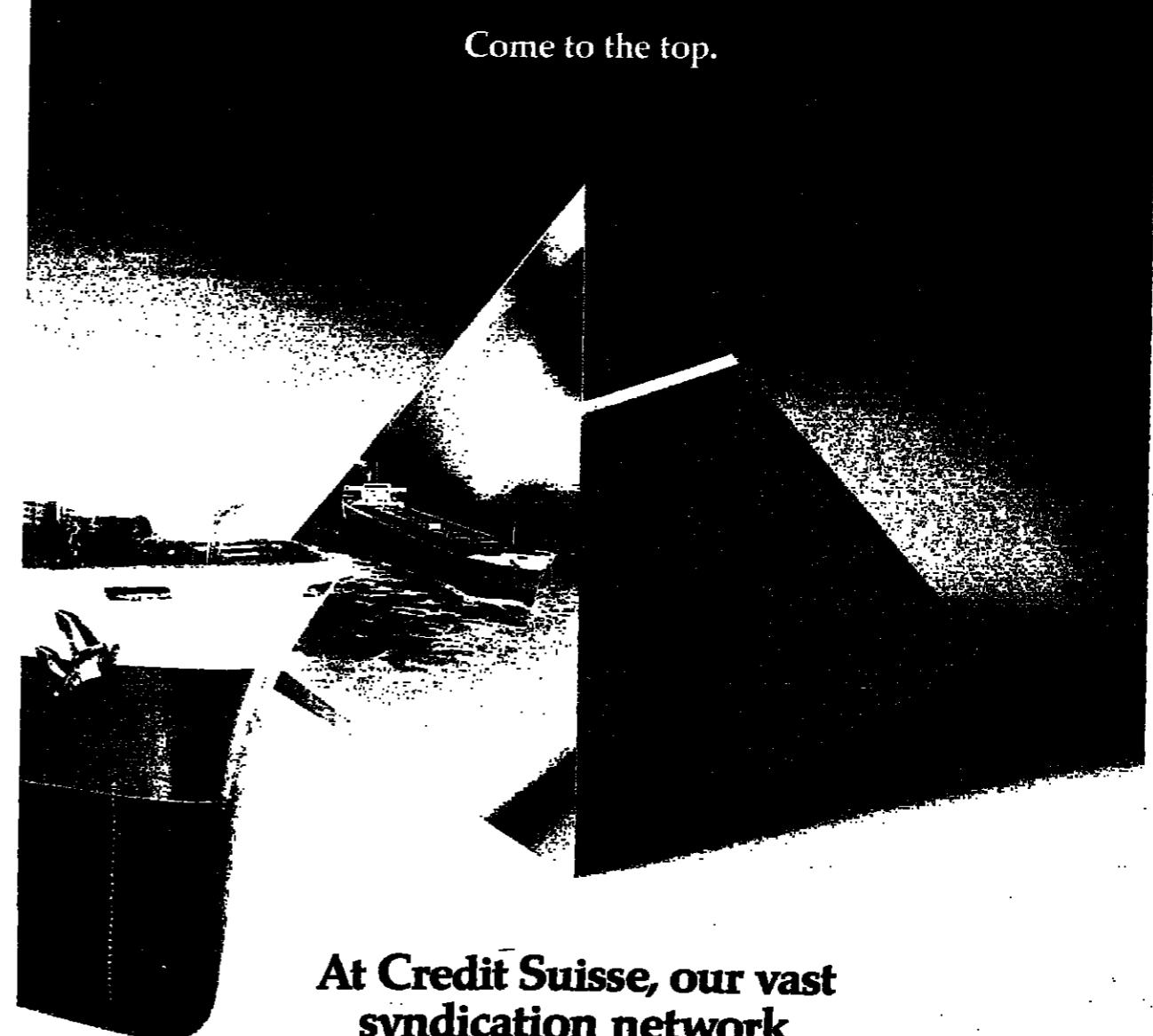
Even after the reduction, DEC's turnover per employee is substantially below that of IBM. In part this reflects Mr Olsen's belief that a growing

ing with IBM. However, its revamped product range based around a single operating system and its strong position in networking has convinced many observers that DEC is one of the healthiest computer companies in the US.

Mr Olsen's long term view would appear to have been right. When the company was having problems a number of critics suggested that Mr Kenneth Olsen, who is 60, should retire. Still clearly the dominant force in the company, Mr Olsen refuses to comment on whether he is even considering it. "But he does say: 'The measure of my skill is how well the company is doing two years after I have gone.'"

This is the last in a series. Previous articles appeared on May 14, May 7, May 2, April 29, April 23 and April 22.

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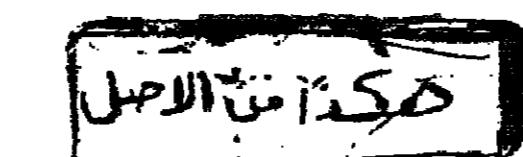
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JUN 11 1986

CHINA

A mystery man takes on the reformers



CRITICAL: Chen Yun at the Chinese Communist Party conference last year.

SARAKREEK HOLDING N.V.



595 Herengracht, 1017 CE Amsterdam, The Netherlands.

1985 dividend

At the Annual General Meeting of Shareholders held on May 20, the dividend per share for the year 1985 was fixed at:

The countervalue in guilders on November 18, 1985 of US \$1 (= £2.95) in cash, as well as one ordinary share for 20 ordinary shares of f25.00 per value.

The cash dividend became payable in the form of an interim dividend on November 29, 1985 against delivery of coupon no. 12.

The stock dividend will become charged to the share premium account and is not subject to Dutch withholding or income tax. This final dividend, which is entitled to participate in the full result for 1985 and following years, becomes payable on May 30, 1986 against delivery of coupon no. 13 at the following paying offices:

- Amsterdam-Rotterdam Bank N.V.
597 Herengracht, 1017 CE Amsterdam
- J. Henry Schroder Wag & Co Ltd.
120 Cheshire, London EC2V 6DS
- Crédit Lyonnais
- Banque Privée de Gestion Financière
61, rue du Monceau, 75008 Paris

Should the coupon be submitted through another bank or broker, the reverse side must display a company stamp. Holders of CF-shares will be paid through the intervention of the institution holding the dividend papers at close of business on May 20, 1986.

If, after September 5, 1986 there are still unsurrendered dividend coupons no. 13, the shares issuable against these coupons will be sold and the proceeds be kept available, on a pro rata basis, to the holders of the unsurrendered coupons.

Amsterdam, May 21, 1986
The Management

WESSANEN

A General Meeting of Shareholders will be held at the Marriott Hotel, Stadhouderskade 21, Amsterdam on Thursday, 5th June 1986, commencing at 10.00 a.m.

The Agenda, the sole item on which is a statement concerning a proposed appointment to the Board of Managing Directors, is available for inspection from today at the Company's office, Laan van Kronenburg 14, Amstelveen. Holders of shares, depositary receipts for shares and bonds may obtain copies free of charge from the Amsterdam-Rotterdam Bank N.V., Herengracht 597, Amsterdam.

The meeting will be open to holders of shares and depositary receipts, and to representatives of the Press upon the production of their Press pass.

As provided for in Article VIII.4, clauses 2 and 3, of the Articles of Association, shareholders and other persons who are entitled to vote may attend the meeting and speak or cast their vote, or may be represented for these purposes by a proxy duly authorised in writing, provided that written notification of their intention so to do is received by the Board of Managing Directors by 2nd June 1986 at the latest.

As provided for in Article VIII.4, clauses 6 and 7, of the Articles of Association, holders of depositary receipts for shares may attend and speak at the meeting, or may be represented by a proxy duly authorised in writing, provided that they lodge their depositary receipts, or a certificate issued in lieu thereof, with the above-named bank by 2nd June 1986 at the latest.

The Board of Managing Directors 21st May 1986
Koninklijke Wessanen N.V.,
P.O. Box 410, 1180 AK Amstelveen, The Netherlands.

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	%		%
ABN Bank	10%	Financial & Gen. Sec.	10%
Allied Dunbar & Co	10%	First Natl. Fin. Corp.	10%
Allied Irish Bank	10%	First Natl. Sec. Ltd.	11%
Am. Express Corp. Bk	10%	Robert Fleming & Co	10%
Amro Bank	10%	Robert Fraser & Sons	11%
Henry Anchacher & Associates Cap Corp	10%	Grindlays Bank	10%
Banco de Bilbao	10%	Guinness Mahon	10%
Bank Hapoalim	10%	Hambros Bank	10%
Bank Leumi (UK)	10%	Heritable & Gen. Trust	10%
Bank Credit & Comm.	10%	Hibson & Co	10%
Bank of America	10%	Hongkong & Shanghai	10%
Bank of Ireland	10%	Johnson Matthey	10%
Bank of India	10%	Knowlesley & Co Ltd	11%
Bank of Scotland	10%	Lloyd's Bank	10%
Banque Belge Ltd	10%	Edward Mansson & Co	11%
Barclays Bank	10%	Marine & General Sec Ltd	10%
Commercial Trust Ltd	10%	Midland Bank	10%
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Cr. Bk. Nederland	10%	National Bk of Kuwait	10%
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Cayzer Ltd	10%	National Westminster	10%
Cedar Holdings	12%	Northern Giro Ltd	10%
Charterhouse Jephcott	10%	North Giro Trust	10%
Citibank N.A.	10%	P.F. Finans. Inst (UK)	11%
Citibank Savings	10.25%	Provincial Trust Ltd	11%
Cit. Merchants Bank	10.25%	R. Raphael & Sons	10%
Clevedale Bank	10%	Essexburgh Guarantee	11%
C. E. Costes & Co. Ltd.	12%	Royal Bank of Scotland	10%
Com. Bk. N. East	10%	Royal Trust Co. Canada	10%
Consolidated Credit	10%	Santander Bank	10%
Continental Trust Ltd.	10%	Tyndale Savings Bank	10%
Co-operative Bk	10%	United Bank of Kuwait	10%
The Co-operative Bk	10%	United Microbank	10%
Dean Lurew.	10%	Westpac Banking Corp	10%
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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

JUDGING by Japanese newspaper accounts, Japan's major corporations are in a panic about the accelerated rise of the yen. Words like "catastrophic", "uncontrollable", and "disastrous", fill the financial pages almost daily. Some commentators are already predicting that Prime Minister Yasuhiro Nakasone will have to abandon plans to seek another term because of the run-away yen.

But away from the public uproar, in the quiet, spacious executive offices of Japan's largest exporters, one hears a different story. Japan's major exporters expect to survive this crisis like they have survived all the ones before. Their lives may change over the next few years, but not necessarily for the worse.

Within this club is Sharp Corporation, the \$7bn-a-year Osaka-based company, with a worldwide reputation as a top-quality producer of consumer electronics. Sharp was founded in 1912 by Tokui Hayakawa, the man who invented the snap belt buckle and the mechanical pencil. An early pioneer of radio and television in Japan, Sharp also helped to pioneer the vast Japanese market for audio and electronics in the 1950s and 1960s. It then moved out into world markets in the 1970s and 1980s through aggressive exporting as well as through a variety of licensing and manufacturing deals.

Sharp today is run by the man who spent their lives developing and marketing Sharp products. One of those men is Yoshihide Fukao, aged 61, now senior executive vice president. A tall, thin man with white hair, Fukao speaks in a friendly, matter-of-fact manner about the effects of the yen on his company. Straight away, he points out that more than 60 per cent of Sharp's sales are achieved through exports. Next, he notes the yen's appreciation of more than 30 per cent in the last year. Yet he then says that Sharp is not facing a crisis or anything near it.

"The time to grow by overseas sales is past," says Fukao flatly. Over the last 10 years, he says, Sharp's annual sales growth has been close to 20 per

Trading environments

Why Sharp is redrawing its horizons

Carla Rapoport explains the Japanese electronics group's shift to home markets following the rise in the value of the yen

cent, thanks to 17 per cent growth per year in exports. In 1985, when the yen started its climb, exports slowed to 3 per cent growth. This year, he says, exports "are expected to go to sleep."

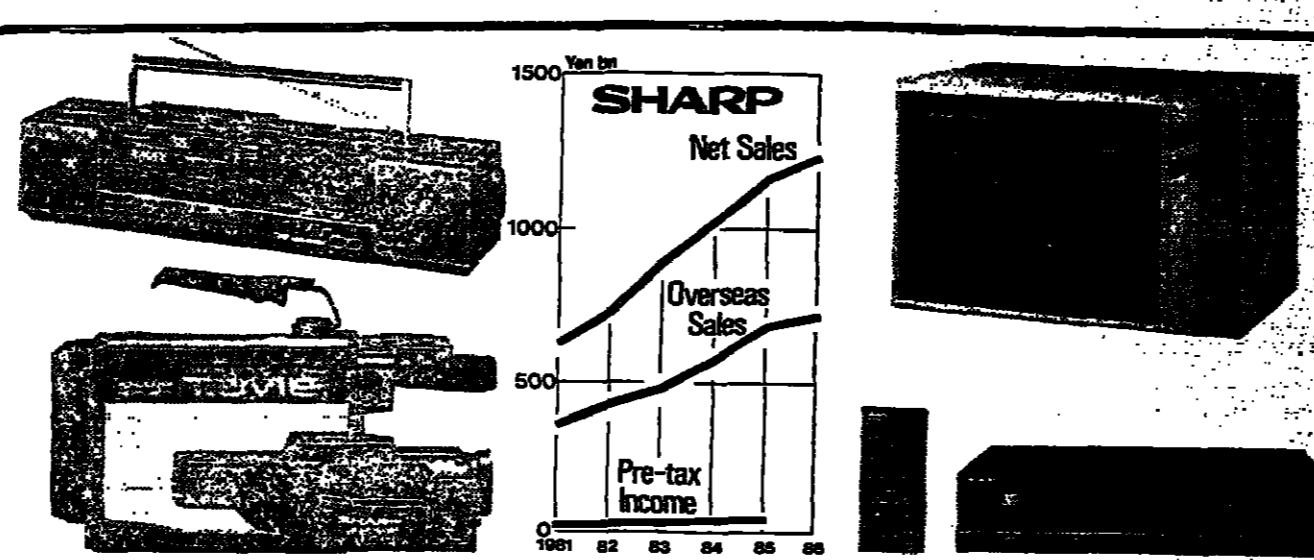
The Prime Minister says we should change the whole system of Japanese business. Needless to say, that is the only way to deal with the strong yen. We must stimulate domestic demand. It is very clear that the base for growth in the future is domestic sales," says Fukao.

Sharp's back-to-Japan strategy is pinned to two goals. First, realign its export / domestic sales split from 60/40 to 40/60. Second, safeguard the jobs of every one of its 25,000 domestic and 25,000 overseas employees while making that shift.

Sharp will probably achieve these goals, remaining a strong international competitor while increasing its strength at home.

But there will be a cost. Sharp spends about 60 per cent of total sales on components and raw materials, most of that from Japanese suppliers. Hundreds of these suppliers are shortly going to find themselves out in the cold, as Sharp begins to slim down its exports by shifting more and more production offshore. And because of the high yen more and more of these offshore production sites will be buying their components locally or importing them from places like Korea or Singapore, rather than Japan.

Fukao acknowledges the problem readily, but emphasises his priority is first to his own workers. "It depends on how fast Japan can develop jobs in the services sector, but I think we are going to have an unemployment problem here in the future. All the world's nations have this problem. We're the only one that



doesn't. It's unnatural for an advance economy," he says.

This straightforward appraisal of the facts is one of the many qualities which will help companies like Sharp through their high-yen adjustment period.

Osaka has a long history of producing hard-nosed businessmen who can keep emotions out of their decision-making. Sharp will therefore be expanding its production in places like India and Spain this year, and local component-makers will have to fend for themselves.

"Needless to say, we have no legal obligation to protect those from which we have made many purchases in the past. We do feel ethically responsible for those contractors who have been working solely for us for many years, and we will try to find them other work," he says. But 65 per cent of Sharp's suppliers, he says, are

independents who serve many masters. Nomura Securities recently estimated that job losses created in this sector could total as much as 500,000 over the next few years.

Meanwhile, however, Sharp will have its work cut out for itself. Company executives already admit that the group is losing money on exports of audio equipment, such as radio cassette players. Its pricing strategy so far has been to increase export prices by about 7 to 11 per cent across the board and absorb the rest of the currency appreciation through reduced profits. By next year, it hopes to reverse supplying that continent.

Altogether, Sharp is understood to be aiming at putting between 25 to 30 per cent of its production offshore over the next few years, compared with less than 20 per cent currently. Its imports of components from

countries such as Korea and Taiwan are also expected to go up sharply.

At home, Sharp will be aiming for 10 per cent growth per year in order to maintain employment for those workers displaced by lower exports as well as keeping its overall growth moving upward. The key will be to find new products to tempt its fickle domestic customers and to find them before its competitors do. At Sharp's engineering centre in Tenri, 40 kms from Osaka, executives are thinking of little else.

To the surprise of foreign visitors, Tenri engineers are tackling the Japanese market in much the same way they successfully tackled the US and European markets a decade or two ago. They are doing their social and cultural homework. The Japanese today are richer

than ever before and their appetites may be increasing.

Take dishwashers, for example. Japanese manufacturers sell thousands of dishwashers in the US and Europe, but almost none in Japan. Traditional wisdom has it that Japanese homes are too small to hold dishwashers. In fact, Sharp now admits that it never really designed a dishwasher for the Japanese market—one that could contain the myriad of bowls which Japanese use for their meals, and could scrape the sticky rice off them effectively. "We [Japanese] designed large machines to hold plates, cups and saucers," says Kono Hayashi, senior executive director of the engineering centre in Tenri. "We never tried to make it smaller, and design it to take bowls, plates and chopsticks."

Behind that example, Hayashi is reticent about Sharp's next generation of electronic gadgets. He says, however, that new products will be multi-functional and will begin to bridge the gap between office and home appliances.

In the future, for example, Japanese will be buying telephones which combine a facsimile machine, videotext monitor and even keyboards. The microwave oven may come with its own software programming for various meals. The bathroom may have "intelligent" baths and lavatories, which can clean themselves, for example.

"We are going to see much more advanced technology in the home. It will be hard to tell the difference between home and office equipment," says Hayashi.

Sharp's competitive edge will depend heavily on its R & D facilities. The company runs

two parallel R & D tracks. One consists of the product development laboratories located at each major production centre. The second is the "Tenri engineering" centre which handles fundamental research across product lines. In between the two is Sharp's "Urgent Projects" team. This is the group which combines scientists from both tracks and sets out to make something new or better, in a short time. A recent example of an Urgent Project was the front-loading videotape recorder.

Urgent Projects has recently been upgraded. Under the new system, the head of each project is appointed by Sharp's president; he then reports to the president only. The team leader may choose his co-workers from any laboratory in the group and pays them out of a special budget. All the members wear "little gold badges on their lapel marking them out from anyone else in the group."

"In the past, we put equal weight on every programme," says Hayashi. This accounts for Sharp's wide product mix. VCRs, for example, are its best-selling product but account for just 16 per cent of Japan-based production.

"Now we have to focus on more specific, quick results," he says. "We must carefully study product design for Japanese consumers and then move quickly," he says.

Sharp can afford to make these changes. The group's borrowings are outstripped by its cash and securities, according to last year's balance sheet. But assets are conservatively valued on Japanese accounts and Sharp's true resources are probably stronger than its balance sheet shows. In fact, Fukao says capital reserves totalled Y350bn. Despite the slowdown in growth this year, for example, Sharp will increase capital investment to Y70bn and continue to spend 6.2 per cent of sales on R & D.

"As for the future of the yen: 'We don't expect the yen-dollar exchange rate to recover (from the current Y165 level)," says Fukao simply.

BY OUR LEGAL STAFF

BUSINESS PROBLEMS

Sale of goodwill and CGT

In 1969 I started a retail business in freehold premises which I had bought at the same time, trading as a sole trader. The goodwill value of the business is now about £25,000.

I have contemplated selling the business but not the premises, buying another vacant property in a different location and starting another type of retail business.

Could you please spell out the Capital Gains Tax implications, as they appear horrific to me. Am I effectively locked in where I am until age 60?

Surely the amount of money at stake justifies the cost of an accountant (as well as a solicitor) to guide you through the tax pitfalls. The chargeable gain on the sale of the goodwill can be rolled over into the cost of the new premises, in principle. The free leaflet CGT11 (Capital gains tax and the small businessman) may be of some help, but bear in mind the date of publication on the copy you receive.

No reply one year on

Chargeable gains

I am the controlling shareholder in my business, and I wish to retire and pass my interest in the company to my three sons and control to one of the sons who is already a director of the company.

Last March my accountant wrote with supporting documents to the Adjudication Office of the Inland Revenue seeking approval of the value at which I have already transferred a small number of shares and at which I wish to transfer a further substantial number. Alternatively,

we asked for a statement of its own valuation. In October, the Department replied seeking accounts for the previous three years, which information was immediately furnished. Last month, in response to urgent telephone calls, an officer undertook "to turn up the file" but there has been no further communication.

I know little of the function of the General or Special

Commissioners or how to find them, nor do I know whether, in fact, these bodies would be able to help us, but I feel there must be some higher authority to whom we can turn for help when, after waiting 12 months, we cannot get a reply to a letter.

Can you suggest any action that we can take to arrive at an acceptable valuation, other than to sit it out until ultimately we are forced to sell the company in an entitled and relieve the Inland Revenue of the necessity to reply to our communications?

First we must say—as your accountant has doubtless warned you—that the value of a small parcel of shares in your company is not a reliable guide to the value of a large parcel, nor of a parcel which gives or removes control.

The Adjudication Office's conduct appears to constitute a prima facie case of maladministration, but you should seek your accountant's guidance upon the question of asking your MP to refer your complaint to the Parliamentary Commissioner for Administration (the Ombudsman). Some readers' accountants have expressed fears that calling in the Ombudsman may provoke retaliation by the criticised taxmen in later years—we have no evidence either way, at present.

Chargeable gains

I am one of four shareholders in a private investment company.

The only fixed asset of the company is a freehold property let to a two-partner firm on a lease which expires in four years' time, with an option to purchase the property at market value.

The two partners wish to acquire the property immediately. The stumbling block is the capital gains tax position if the company sells the property and is then put into liquidation.

To overcome this, would the following programme be feasible? The company balance sheet is reversed to include the property at market value. The partners buy the share at balance sheet value. The company is then liquidated, the partners taking the property in their joint names in specie.

If the partners do not wish to adopt this method, the shareholders liquidate the company taking the property jointly in specie and then sell it to the partners.

In either case, presumably the Revenue would accept the cost of the property as being the balance on the liquidation distribution account not paid in cash.

You seem to think that liquidation distributions in specie do not produce chargeable gains. This is not so. A distribution in specie is a (CT) deemed disposal at market value by the company, as well as being a (CGT) part disposal of each member's shareholding for similar deemed consideration.

Are the partners prepared to buy the company? The company's auditors (and solicitors) are best placed to guide you through the tax pitfalls—but do not expect to be able to avoid all of them.

Selling a suite

We sell three-piece suites from a warehouse-type location, from stock. Often we sell a suite, label it as sold, and subsequently lose another potential sale on the suite because it is labelled "sold".

If the customer who agreed to buy the suite subsequently cancels, we have lost not only that sale but the opportunity of selling the suite to someone else while it is labelled "sold".

Supposing the customer originally purchased the suite pays his deposit on a Saturday, say £100, by cheque, and then subsequently rings up on Monday to say that he wishes to cancel and that he has instructed his bank not to honour the cheque. Can we sue him for £100; sue him for £100 plus loss of profits; and/or sue him for loss of profits alone? Or have we, as technically his £100 deposit has never been transferred to our account, no claim on the money?

You can sue for the deposit, simply suing on the cheque; and that would be no defence to that. You can sue for the loss of profit (deducting the deposit from the total profit). You have a duty however to mitigate your damage, and so should try to resell, and must deduct the profit on any resale. Thus the net position is that you should keep the deposit (or sue for it on the cheque), but it is unlikely that any further claim is worth making unless it is impossible to re-sell the suite.

No legal responsibility will be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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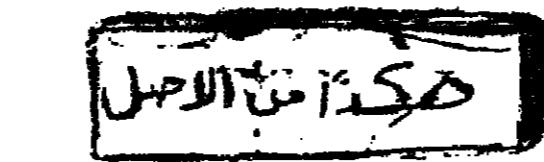
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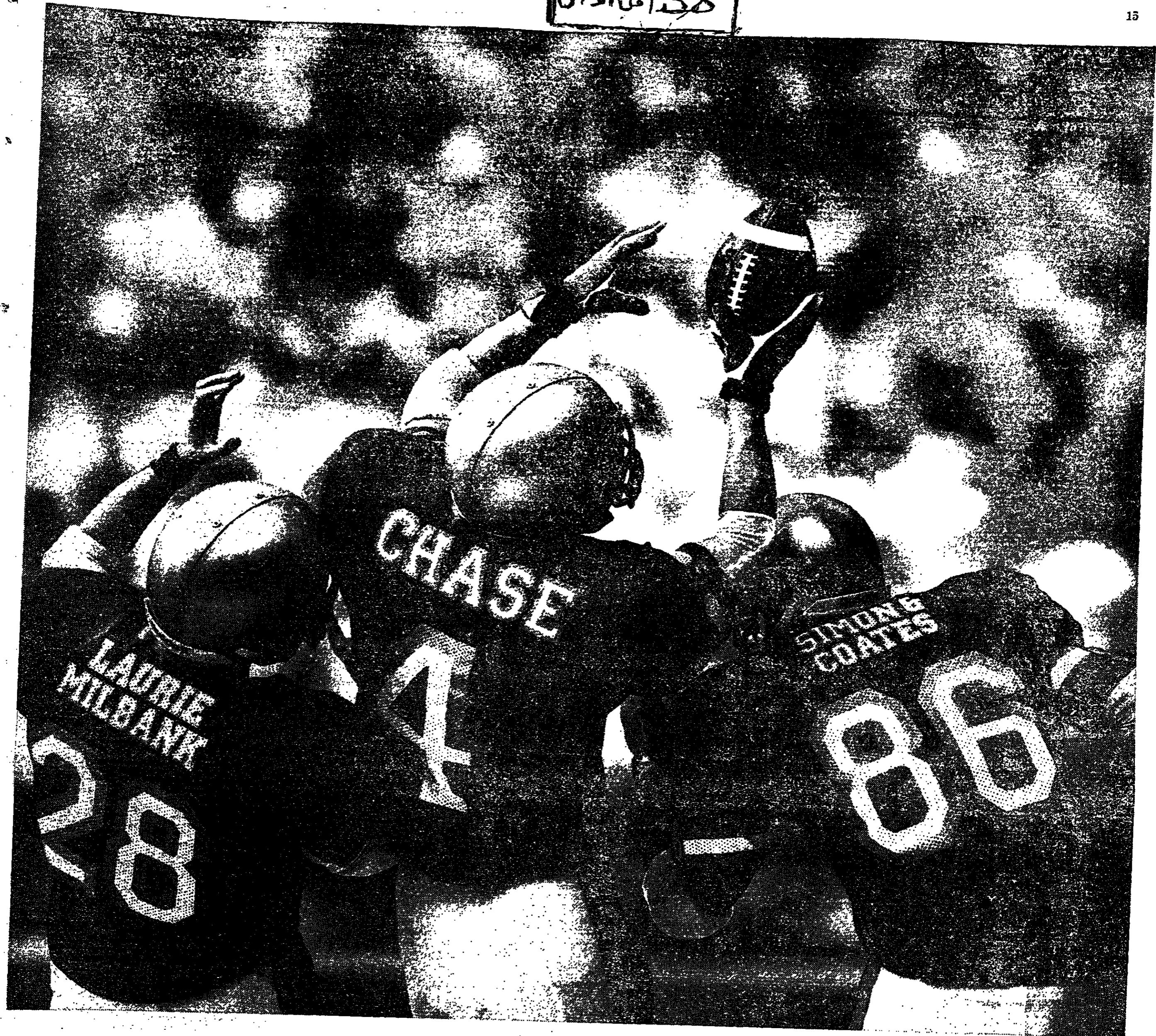
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APPOINTMENTS

Changes at Appledore

NOTICE TO HOLDERS OF
Warrants to Purchase Common Stock of
Beatrice Companies, Inc.

Pursuant to Section 4(h) of the Warrant Agreement (the "Warrant Agreement") dated as of September 15, 1984, by and between Beatrice Companies, Inc., a Delaware corporation (the "Company"), and Gibbons, N.A., as Warrant Agent (the "Warrant Agent"), notice is hereby given by the Company that the Company, BCI Holdings Corporation, a Delaware corporation ("Parent"), and the Warrant Agent have executed an Amended and Restated Warrant Agreement (the "Amended and Restated Warrant Agreement") dated as of April 17, 1986, in connection with the hereinafter described Merger.

An Agreement and Plan of Merger (the "Agreement") dated as of November 14, 1985, and modified as of February 2, 1986, by and between the Company, Parent and BCI Merger Corporation, a Delaware corporation and an indirect subsidiary of Parent ("Merger Sub"). In accordance with the Agreement and the Delaware General Corporation Law, the Merger Sub was merged with and into the Company (the "Merger") whereupon the separate existence of Merger Sub (as it may be continued by operation of law) ceased, and the Company continues as the surviving corporation. As of the effective time of the Merger, each share of common stock, without par value, of the Company (the "Shares") then held by a holder of record prior to the effectiveness of the Merger and (a) Shares which were issued and outstanding immediately prior to the effectiveness of the Merger and owned by Parent or any direct or indirect subsidiary of Parent, or which were held in the treasury by the Company or its subsidiaries and (b) Shares held by any holder who had perfected dissenters' rights under the Delaware General Corporation Law was cancelled and extinguished and converted into the right to receive (i) \$40 in cash, without any interest thereon, and (ii) 10,25 of a validly issued, fully paid and nonassessable shares of Cumulative Exchangeable Preferred Stock of Parent with a liquidation preference of \$25 per share.

The Amended and Restated Warrant Agreement provides that the Company after the Merger specifically ratifies all of the obligations which the Company originally undertook pursuant to the Warrant Agreement and the warrants issued thereunder (the "Warrants"). The Amended and Restated Warrant Agreement provides that each holder of each outstanding Warrant to purchase Shares shall have the right during the period which begins on the effective date of the Merger and ends 5 years after the effective date of the Merger, to exercise the Warrant for (a) \$40 in cash to receive \$1092.16 in cash, without any interest thereon, and (b) 10,25 validly issued, fully paid and nonassessable shares of Cumulative Exchangeable Preferred Stock of Parent with a liquidation preference of \$25 per share.

The Amended and Restated Warrant Agreement also provides for adjustments which, for events subsequent to the effective date of the Amended and Restated Warrant Agreement, are as nearly equivalent as practicable to the adjustments provided for in Section 3 of the Warrant Agreement.

Any questions regarding the Amended and Restated Warrant Agreement or the effect of the Merger on outstanding Warrants should be directed to:

Mr. Michael Quane
Beatrice Companies, Inc.
2 North LaSalle St., 25th Floor
Chicago, Illinois 60602

BEATRICE COMPANIES, INC.

Following the death of Mr Peter Nash, chairman and chief executive of A. & P. APPLEDORE GROUP, Mr John Alexander, a director since September 1984, becomes chairman, and Mr Anthony Mackesy, co-founder and deputy chairman, becomes chief executive. Mr Donald McLean, as chief executive of A. & P. Appledore International, is group director responsible for the activities of the managed shipyards, while Mr John Cragg remains group director responsible for the consulting activities through his position as executive of A. & P. Appledore. Mr. Richard Woodhead assumes responsibilities as group director for marketing and development.

*
Mr. John Whitton has been appointed to the board of HILL SAMUEL & CO and joins the bank as head of distribution in its gifts operation. He was a partner of Pember & Boyle. Prior to that he was a partner of and head of gifts at Laurie Milbank.

*
Mr Charles Flaxman, who retires as the underwriter for Syndicate No 990 (Denham) at Lloyds, has been appointed to join BOWRING PROFESSIONAL INDEMNITY on August 4 as a consultant.

*
Mr. Hedley S. Thomas, a divisional director of Price Waterhouse, Urwick-Urwick division, has been elected president of the INSTITUTE OF MANAGEMENT CONSULTANTS for 1986-87. Mr. Michael J. Allen, of Michael J. Allen and Partners, has been elected senior vice president. Mr. David Williams of Sedgwick-Edwards joins Mr. Hedley S. Thomas as a director.

Haskins and Sells management consultancy division as vice president of the Institute. Mr. Hindley is also the Institute's honorary treasurer.

man of the power transmission manufacturing and marketing companies and a main board member.

*
Mr. R. C. Pooley has been appointed executive chairman of C. E. HEATH following the retirement of Mr. D. J. Berham.

*
Mr. Osamu Fujisawa, director of the JAPAN EXTERNAL TRADE ORGANISATION's London office is being reassigned to Japan. His successor is Mr. Shinti Ogawa who was director of the overseas economic operation first division, Economic Planning Agency.

*
The chairman of Swan National Rentals and Leasing, Mr. Freddie Aldous, has been re-elected president of the European Car and Truck Rental Association (ECATRA) for a second two-year term. Mr. Aldous is also president of the British Vehicle Rental and Leasing Association (BVRLA). He is the first person to hold the position of president of ECATRA and the BVRLA at the same time.

*
HAMPTON GOLD MINING AREAS has appointed its Yorkshire engineering subsidiary, Wards Engineering Co. Mr. W. Mills as managing director and Mr. P. Gilmore as production director. Mr. Mills was with McCorquodale as managing director of various subsidiary companies.

*
Mr. E. E. Bridge has been appointed managing director of the corporate division of P. W. PAYNE. He was a divisional director of the overseas division. The company is a member of the Sedgwick Group.

*
Mr. Nigel J. Forsyth has joined the WARD GROUP as chief executive. He was executive chairman of Sedgwick-Edwards.

*
Mr. David Barnes, chairman of ICI paints division, joins the main board in August.

*
sible primarily for the development of the European market.

Mr. Barnes joined the division board in 1971 as overseas director, leading further expansion into the Japanese and US markets. He became a deputy chairman in 1977. In June 1983 he was appointed chairman of the paints division.

*
Mr. Richard Dymock, past chairman of the Hospital Caterers Association, is to join a new director of MERCIAHANT in the new post of development director, education and health care division, from June 9. He was district catering adviser to the city hospitals unit of Nottingham Health Authority.

*
Mr. Phil Robson has been appointed deputy managing director of TAYLOR HITEC, a robotic company based in

Nottingham Health Authority.

Sir Philip Harris joins Fisons

Sir Philip Harris, chairman and founder of the Harris Quinsigamond Group, is to join the board of FISON'S as a non-executive director in June. Sir Philip will replace former Fisons chairman Sir George Bartes, who has retired as a non-executive director.

*
MADSAR (UK) has appointed Mr Anthony W. Peers as a main board director in charge of agricultural development. He has recently retired from the civil service where he was deputy chief natural resources and environmental adviser in the overseas development administration (ODA).

*
JOHN TOWNSEND & CO, insurance brokers at Lloyd's, has appointed Mr Alan E. Bavin as managing director.

*
Mr. Lee Bowerbank, previously sales director of Mattel, is to join TOM SMITH, a cracker and party products manufacturer, as general sales director.

*
KORES NORDIC (GB) has appointed Mr. Gerry Pussard as managing director. This follows the appointment of Mr Anthony J. Jackson, the previous managing director, as chairman.

*
Mr. Michael Thomas, formerly managing director of Wiltshire Construction—joint managing director of The Osprey Company, which specialises in the development of retirement housing in the south east of England.

*
Mr. R. S. Gould has been appointed president of the NATIONAL ASSOCIATION OF FUNERAL DIRECTORS for the next 12 months.

Who needs to be satisfied that radioactive waste can be disposed of safely?

At UK Nirex Ltd, it is our job to implement the Government's strategy for the safe and efficient disposal of low-level radioactive waste. It is our wish to provide anyone who asks us with details of our proposals.

Yet before a single container of this type of waste can be disposed of anywhere, we will have to prove that our plans are safe.

First of all at a major Public Inquiry. But also to the Department of the Environment, the Ministry of Agriculture, Fisheries and Food, the Department of Transport, the Radioactive Waste Management Advisory Committee and the Nuclear Installations Inspectorate.

Parliament will shortly decide whether or not

to authorise a Special Development Order, which will give us permission to start engineering field work on four possible disposal sites in England. Eventually one site may be chosen for development.

If the Order is granted we will still have a great deal to do before we will be allowed to put our ideas into practice.

We haven't the space here to give you detailed information about low-level radioactive waste—or radioactivity in general. So if you'd like to know more, please write to Peter Curd at UK Nirex Ltd, Information Office, Curie Avenue, Harwell, Didcot, Oxon OX11 ORH, and ask for our Fact Pack.



United Kingdom Nirex Limited

Nuclear Industry Radioactive Waste Executive.

Sir Philip Harris joins Fisons

Sir Philip Harris, chairman and founder of the Harris Quinsigamond Group, is to join the board of FISON'S as a non-executive director in June. Sir Philip will replace former Fisons chairman Sir George Bartes, who has retired as a non-executive director.

*
Mr. John Nickell-Lean has joined GODDARD KAY ROGERS (NORTHERN) as a non-executive consultant. He was export director of Dornmeil, responsible for the Japanese and Far Eastern markets.

*
Mr. David de Boerma has joined the board of Saxon International, Sud Key Villas, and INDUSTRIAL COMMERCIAL AND FINANCIAL SERVICES. He will also act as consultant to Saxon Investment and Trust.

*
Mr. Glyn Samuel has been elected national chairman of the ROAD HAULAGE ASSOCIATION for the ensuing two years. He is chairman of Flowers Transport, Mr. Key S. Bowes, chairman of Ray Bowes Transport, and Mr. R. D. Heaton, chairman of Heaton's Transport (St. Helens) were elected vice-chairmen.

*
Mr. Joseph C. Williams, a vice-president of Alliance Capital Management Corporation, has been appointed director of ALLIANCE CAPITAL MANAGEMENT INTERNATIONAL INC. London.

*
SPEYHAWK has appointed Mr. Michael Thomas Pudlecker, formerly managing director of Wiltshire Construction—as joint managing director of The Osprey Company, which specialises in the development of retirement housing in the south east of England.

*
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The Sanwa Bank, Limited
(Incorporated with Limited Liability in Japan)
Commercial Union Building, 1 Undershaft, London EC3A 8LA

US \$25,000,000

Callable Negotiable Floating Rate
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In accordance with the provisions of the Certificates, notice is hereby given that The Sanwa Bank, Limited ("The Bank") will prepay the principal amount on the next Interest Payment Date, 20th June, 1986, together with interest accrued to that date.

Payment will be made against presentation and surrender of the Certificates at The Bank's London Branch.

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of which U.S. \$181,500,000 is being issued as the initial tranche. Notice is hereby given that the interest payable on the Interest Payment Date, June 20, 1986, for the period December 20, 1985 to June 20, 1986, against Coupon No. 2 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$381.89 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$5,547.25.

May 21, 1986, London
By: Citibank, N.A. (CSSI Dept), Agent Bank **CITIBANK**

Lloyds Bank Plc

(Incorporated in England with Limited Liability)

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Primary Capital Undated Floating Rate Notes (Series 1)

and

U.S.\$500,000,000

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Under the federal income tax laws of the United States of America, the interest payable with respect to the above-referenced Notes is deductible from income subject to information reporting requirements if paid to a payee who has an address within the United States (as defined below). However, these United States information reporting requirements do not currently apply in cases in which a payee is known to a Paying Agent as being a corporation or as being a person who is not a United States person (as defined below) and such a payee Cooper with respect to the Notes will be honoured without inquiry or certification as to the identity of the payee. In this context the Paying Agents are not currently required to make any inquiry or demand any certification as to the identity of the owners of Cooper presented on behalf of either the Euro-clear System or CEDEL S.A.

NOTICE IS HEREBY GIVEN that in all cases other than those in which the payee is known to the Paying Agents as a corporation or as a non-United States person, the Paying Agents will, pursuant to Condition 5 of the Notes and before making payment, inquire as to the address of the payee and require each payee providing an address within the United States to complete a United States Internal Revenue Service Form W-9, which includes his name, address, and United States taxpayer identification number.

For the purposes of this notice, "United States" means the fifty states and the District of Columbia, and "United States person" means an individual who is a citizen or resident of the United States, a corporation or partnership created or organised in the United States or under the law of the United States or of any State or Territory, and an estate or trust that is subject to United States federal income tax without regard to the source of its income.

Lloyds Bank

21st May, 1986
By: The Chase Manhattan Bank, N.A., Agent Bank

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THE ARTS

Television/Christopher Dunkley

So much hot air about the weather



Geraldine McEwan and Prunella Scales as Mapp And Lucia

Nothing, it seems, will stop the development of the weather into one of the major constituents of our television schedules. It can only be a matter of time before we see a regular 15-minute programme devoted exclusively to the weather, despite the fact that the notion of Britons being fascinated by their climate seems little more than a popular myth.

Time was when the forecast received a brief but perfectly adequate mention in the major news bulletins, and those who needed something more detailed—travellers or farmers—would listen to those wonderfully evocative announcements about Rockall, Malin and Cromarty on the wireless. Now the weather is being promoted as an all-singing, all-dancing obsession, and the people who read the forecast are being elevated, or do I mean reduced, to the status of "television personalities."

Weather girl Winney Willis from *Good Morning Britain* turns up on a morning show, weather boy Francis Wilson is the resident male sex-object on BBC1's *Breakfast Time*, Ian McCaskill prefaces the BBC forecast with comedy patter, and Michael Fish comes on like a male mannequin.

Given that a good barometer and a glance out of the window seem more reliable than the average forecast, how should we explain this craze? The disproportionate time given to the weather by the breakfast programmes (which need all the cheap content they can get) and the copycat effect in other parts of television are partly to blame.

The press is not blameless. Eddie Shah, needing to show off the colour printing capacity of *Today*, introduced a full-page forecast, and now the *Daily Mail* has expanded its "Weather" feature and added little pictures of Fish and McCaskill. The papers follow television and television follows the papers in a vicious circle which results in more and more space being devoted to the weather without any evidence of public demand.

My vote would go to any programme which abandoned dinky little symbols and beffing computer-driven satellite pictures and announced the likely temperature in Fahrenheit.

The best thing, so far, about the series on the north/south divide, *Forever England* (Part 3 on BBC2 tonight), is the photography. The BBC has always spoilt us by providing outstanding film cameramen—not only for big-prestige programmes, but even for the most insignificant odds and ends

of current affairs, and ITV has

followed in that tradition. Thus, even a three-minute film insert in a programme such as *Top Gear* or *Saint Peter* will be shot with high professionalism and often remarkable flair. Watch out for the wobbles, the poor focus, and the bad framing on much of the imported material in news, sport and current affairs and the impressive consistency of British film cameramen becomes obvious.

John Warwick's photography on *Forever England* has been not just efficient and imaginative (which has helped considerably with some of the interviews) but often beautiful.

Beryl Bainbridge's script, on the other hand, has often been peculiar. The relevance of one section about *A Passage To India*, delivered over pictures of a ladies' bowls team, never quite becomes clear and the claim "Up on the field the figures of little boys wander like lost souls" seemed odd when we could actually see the boys rushing about playing football.

But perhaps the real trouble is the absence of a single sympathetic character. Of course one wants the more witty and stylish Lucia to triumph over Mapp, the scheming gossip, yet that does not make Lucia a more likable character. The only people who begin to inspire any fellow-feeling are the servants, and they with their feature, Soppy George with his embroidery and his bibelots needs a good kick in the pants, the idle and conniving Lucia ought to have her affected nose rubbed in some of

the realities of the world, and one longs for the ghoulish Mapp to get her come-uppance.

None of this has ever happened, it does not look as though it ever will, and so there is little temptation to keep going back for more.

Monday's *Nine O'Clock News* proved that BBC news reader Jan Leeming's scatty habit of pronouncing "defuse" as "diffuse" thus expressing precisely the opposite of what is intended, "diffusing" a bomb meaning to send it out in all directions, "defusing" a bomb meaning the prevention of that occurrence.

Generally speaking pronunciation is a pretty unimportant matter except when mispronunciation impedes understanding. It simply does not matter whether you say controversy or controversy; neither one is more logical, let alone correct.

However, the current craze exemplified by helicopter pilot Dick Smith in *Sunday's World* of "kill-offs" for sex and "kill-oms" instead of "kill-oms" surely is illogical and ultimately confusing. The metric system is based on the metre; kilo modifies metre as does centi or milli. If we adopt "kill-om-etre" then we must presumably say "centi-etre" and "milli-ometre" and the reasoning behind the whole system breaks down.

Janacek's Jenufa/Zurich

Andrew Clark

Janacek's refusal to put a gloss on human character and motivation, as much as his musical palette, marks him out as one of the most original and durable opera composers of the past 100 years. The new Zurich production of *Jenufa*, staged by Yuri Lyubimov and conducted by Christian Thielemann, acknowledges this in its paring down of the drama to an unsentimental and universal level: all human life is there, and we are invited as fellow travellers, not voyeurs.

No doubt the directness of Janacek's language, bolstered by the choice of the opera's original, less optimistic ending, was what appealed most to Lyubimov in *Jenufa*. The inner life of emotion suits his theatrical temperament far better than much of the other operatic repertoire with which

he has been thrashing his way around Europe in recent years. He still gives the impression of a man who regards opera as nothing more than a play with a built-in time mechanism. Baring a few liberties, however, this staging represents the opera with clarity and verve.

Some favourite Lyubimov metaphors, the revolving side panels and black horizon, for example, are apparent in Paul Hernon's open stage design, which relies on a single collapsible flap to suggest the Burya home. Lyubimov gives a seasonal slant to each act—the representation of snow at the start of Act two was especially evocative—and there is the occasional stroke of genius: Lucia's horrified flight at the end of Act one is made into a coup de théâtre, well in keep-

tainly there was no sign of the Kostelnicka's aria in Act One, cut by Kovarovic but included in the WNO performances two years ago.

Thielemann, a young and talented musician currently based in Düsseldorf, conducted with obvious understanding of the orchestra. He is an excellent mentor and voice of emotion. His account was well-paced, if not always mindful of instrumental detail. The singers were easily heard. Jan Blahnikov's Lucia had a vocal and visual ruggedness not inappropriate to the part. Stela Axaril made the Kostelnicka a more sympathetic figure than usual; she has come to the part at the right stage in her career. Martha Modis' welcome portrait of Grandmother Burya drew on a lifetime's experience, her tone still distinct through falterings. Beatrice Nichoff sang the title

role with a large lyrical voice of penetrating strength: a highly promising young soprano. All the other parts were strongly cast and representative of this production's vigorous dramatic individuality.

Theatr Clwyd at the Haymarket

The Theatr Clwyd company, headed by Vanessa Redgrave, will present its two Shakespeare productions in repertory at the Theatre Royal, Haymarket, from Monday for a limited season.

Antony and Cleopatra will open on May 26, followed by *The Taming of the Shrew* on June 10. The directors are Tony Robertson and Clive Scott. Other members of the cast include Timothy Dalton, Christopher Bowen and Kika Markham.

Et expecto resurrectionem corporum et Ravel's complete *Deaphis and Chloe*. Et expecto one of the most comprising of Messiaen's scores. Its deliberately elegiac quality—a sequence of five movements, all of them

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Arts Guide

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to tenuously starting and choreographically false, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262)

Star Street (Majestic): An immodest celebration of the heyday of Broadway in the 30s incorporates game from the original film like *Shuffle Off To Buffalo* with the appropriate brash and leggy hoofing by a large chorus line. (977 9030)

Philadelphia Story (Arena): Eliot Remfry, who last directed Peter Nichols' *Death of a Salesman*, directs the *Philadelphia Story* arena, the *Death of a Salesman* which walked off with many 1985 Tony awards almost by default. (244 0220)

Star Beach (Majestic 44th St.): The first instalment of Neil Simon's mix of memoirs and jokes from a Depression-era Jewish household where young Eugene falls awfully in love with his cousin. (231 1211)

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as annotations rather than emotions. (239 6260)

La Cage aux Folles (Palace): With some tune Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (157 2626)

ies and Andrew Lloyd Webber tunes take extra time with an extended run. Ends May 31. (977 1719)

International Theatre Festival: Britain's National Theatre brings The Cherry Orchard directed by Mike Alfreds and The Duchess of Malfi directed by Philip Prowse to a festival that includes an Israeli company performing Joshua Sobol's *Geto*, a Japanese company doing The Trojan Women and local groups like the Body Politic doing Larry Kert's *The Hitch-Hikers* and the immediate Theatre doing Lillian Hellman's *Another Part of the Forest*. Ends May 25. (944 3378)

Music Box (Broadway): John Tillinger directs this high-spirited revival of Joe Orton's 1968 macabre farce featuring Zoo Wanamaker as the homely nurse who romances a widow while buying his wife and conniving with their cheating son to hide the body. (239 6260)

Chicago (Lyceum): A review by Alison-za. Tokyo's only resident professional English theatre. Comic sketches and music built around a fictitious Japanese family provide material for light affectionate satire. An excellent way to dissipate frustrations, irritations or diversions—an attitude to the seriousness with which the Japanese view themselves. Starring Stuart Attick, James House, Jeff Manning, Alison-za's intimate theatre, Ebisu. (443 3845)

CHICAGO

LONDON

Lead Me A Tenor (Globe): Fresh and inventive operatic fare by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis

Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's *Otello* carries on. (437 1592)

Blithe Spirit (Vaudeville): Excellent revival about a novelist harassed by his first wife and haunted by his first. Pinter's *Old Times* owes a lot to this play, well directed by Peter Farago, acted without undue Cowardian reverence by Simon Cadell, Joanna Lumley and the blabber-beautiful Jane Asher. (838 9987)

What We Are Married (Whitechapel): Matchless comic playing from an all star cast in Priestley's comic warhouse about old silver wedding amours, underpinned by an incomparable revelation. Bill Fraser is a drunken Falstaffian, photographed and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (830 7765)

Notes On (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (838 8882)

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's roller-skating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disney, Star Wars and Cars are all influences. Pastiche song nods to world rock, country and hot gospel. No child is known to have asked for his money back. (834 6184)

2nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (838 8108)

Three Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and dramatic stability. Truthful playing has the effect of cruelly exposing Fierstein's tactfully uneven writing. (838 3378)

Leaves Are Falling (Asia): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the numerous reminiscences of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4227)

Interpreters (Queen's): Love among the diplomats, according to Ronald Dearing. Who has a surer role for the matchless Maggie Smith running a cross-cultural affair with Edie Fox in the shadow of a summit between The Soviet Union and Britain. Phantastic direction by Peter Yates of the West End's best new play of the year. (734 11681)

Are You Lonesome Tonight? (Phoenix): More musical biographies with Alan Alda's *Edie*, Peter Fonda showing using flashback and candlelight recitations of the rock and roll hits to explain how Marvin Gaye's magnificently wrecked and gobby King in crushed velvet jumpsuit has remained unsold.

Saleroom/Susan Moore

Dolls and ducal drawers

A record price for a doll was Poulen's substantial monodrama, *Le Voix Humaine*, with Elisabeth Söderström as the protagonist. She played her role with a musical tone that is all about something which has preoccupied Messiaen all his composing life. It required great orchestral control to succeed, particularly in such an auditorium as this: Messiaen intended it to be performed in a church acoustic, or even out of doors in the mountains, where the climaxes can echo and re-echo and the work's silences become charged with meaning. In the Festival Hall, those were cut short and bald. Rattle, though, managed to persuade us of its severe beauty, aided by consistently eloquent wind-playing from the members of the Philharmonia Chorus adding in own wondrous colour.

Preceding both these massive scores was Poulen's substantial monodrama, *Le Voix Humaine*, with Elisabeth Söderström as the protagonist. She played her role with a musical tone that is all about something which has preoccupied Messiaen all his composing life. It required great orchestral control to succeed, particularly in such an auditorium as this: Messiaen intended it to be performed in a church acoustic, or even out of doors in the mountains, where the climaxes can echo and re-echo and the work's silences become charged with meaning. In the Festival Hall, those were cut short and bald. Rattle, though, managed to persuade us of its severe beauty, aided by consistently eloquent wind-playing from the members of the Philharmonia Chorus adding in own wondrous colour.

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FINANCIAL TIMES

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Wednesday May 21 1986

Shipbuilding in decline

THE Thatcher Government seems to have been plagued by industrial headaches this year. The Westland debacle was swiftly followed by the controversy over the future of Austin Rover and Leyland Vehicles. Mr Paul Channon, the Trade and Industry Secretary, is now attracting the wrath of Conservative and Opposition MPs for refusing to reprimand the three yards that British Shipbuilders plans to close. In each instance the problems of a weak British manufacturing company have pushed ministers into a defensive posture and caused the Government serious political embarrassment.

In the case of shipbuilding, which is the subject of a House of Commons debate today, there is a danger that the critics will misunderstand the significance and cause of the retrenchment and will prescribe inappropriate remedies. The latest closures will reduce British Shipbuilders' total workforce by more than a third; this is a heavy blow for the workers involved and will exacerbate social and economic problems in the regions concerned, but it is not of great significance for the economy as a whole.

Strategic argument

The strategic argument seems equally wrong. It is doubtful that the UK needs to be able to build its own merchant ships; why is ship building more strategic than, say, machine tools or high-tech components such as semi-conductors? And even if it could be shown that the UK needs to maintain a reasonable-sized merchant navy, it does not follow that this navy needs to sail British-made ships.

The outlook for British shipbuilding is not encouraging but the industry could still have a future, albeit on a smaller and more specialised basis, and one which is not dependent on government subsidy. As Mr Graham Day, the former chairman of British Shipbuilders, remarked in evidence to a recent House of Lords committee: "Nobody doubts that the growing demand for shipbuilding capacity—salt water will see to that." Europe can not recover its former market share but with skilful management chunks of the high value-added segment of the market could be won back.

Cost advantages

It is tempting for critics to attribute the loss of jobs in shipbuilding to lack of government support for the industry. The UK may not have been quite as generous with subsidies as some other countries but it has still pumped £1.4bn into the state-owned company since 1979. There is little evidence that

Moderates on the defensive

THE INTENSIFIED speculation about another war in the Middle East, particularly between Israel and Syria, owes as much to mood as it does to facts. The military changes on the ground have been minor and there is little or no evidence of physical preparations for war. But as President Hafez al Assad of Syria recently reminded anyone who might have forgotten: "We wish all kinds of disasters to befall Israel, since we are enemies and in a state of war for 38 years—and the Israelis wish the same for us."

What has deepened in the past few months is the passive acceptance that armed conflict, terrorism and civil disturbance are becoming yet more inevitable in the Middle East. There are two basic reasons: one political, the other economic.

The political failures are numerous but the most disastrous has been the virtual termination of a Middle East peace process. King Hussein's announcement that he could no longer work with the leadership of the Palestine Liberation Organisation bared what little remained of the plan put forward by President Reagan in September 1982.

Syria has meanwhile failed in its attempt to win agreement for its own constitution in Lebanon, which might have reduced that country's explosive potential. Few Lebanese doubt that the simmering civil war will flare up again in the months ahead, with all the attendant risks of dragging in external forces. In the Gulf, the war between Iran and Iraq is entering a more dangerous phase with both sides weakened by five-and-a-half years of fighting and more than ever desperate to achieve something that could be presented as a victory.

Aggressive talk

It was against this background of turmoil that the US chose to bomb Libya in response to Col Gaddafi's involvement in international terrorist acts. President Reagan then stirred the pot a little more by suggesting that Syria and Iran could suffer the same fate if they were shown to have been involved in other attacks.

So much aggressive talk has increased the nervousness of even conservative Arab leaders already tussling with the impact of the collapse in the world price of oil and sometimes with their own terrorist problems.

THE AFRICAN NATIONAL CONGRESS

Mr Botha bombs his way to the rescue

By Patti Waldmeir in Lusaka

SOUTH AFRICA'S raids on the capitals of Zimbabwe, Botswana and Zambia earlier this week appear, paradoxically, to have got the African National Congress (ANC) out of a tight diplomatic corner.

For even as South African fighter bombers screamed over Lusaka, the ANC's headquarters on Monday morning, Congress officials were pondering a major dilemma: whether to talk about peace to the group's worst enemies in Pretoria, and risk condemnation from radical young ANC supporters in South African black townships, or to refuse to talk and jeopardise the international community's growing support for their cause.

ANC officials in Lusaka breathed a barely disguised sigh of relief when they learned that Pretoria had not only raided an UN refugee camp in Lusaka, an apartment block in Gaborone and an ANC office and house in Harare, but had also apparently exploded the Commonwealth's much-vaunted peace initiative for Southern Africa in the process.

Until Monday, the ANC was being forced by the Commonwealth to decide, for the first time in its 74-year history, exactly when and under what circumstances it would agree to negotiate peace.

The prominence which the Lusaka-Pretoria axis has played in the Commonwealth's plans for solving South Africa's crisis

issues through the medium of an almost-constant stream of South African visitors who have been entertained by the ANC in various southern African locations over the past eight months.

In an attempt to broaden the movement's power base within the Republic, meetings have been held in rapid succession with South African groups ranging from liberal white businessmen and opposition politicians to black trade union

enemies. It could accept what most of its members considered the perfidious hand of peace being extended by Pretoria and risk losing credibility in South Africa's chaotic black townships where the ANC's aged leadership in exile is already considered too moderate—or it could refuse and face the punishment from London and Washington—an almost certain rejection of the mandatory economic sanctions which the movement has long advocated.

ANC officials say privately that their dilemma was one of presentation rather than substance: they stress that even moderate members of the group's national executive (which met for three days last week to debate the issue) were not tempted by President Botha's apparent offer.

Monday's raids will have only confirmed in their belief that, given Pretoria's violations of its non-aggression pact with Maputo and continuing military engagement in Angola, the regime cannot be trusted.

ANC officials insist that until they are convinced that South Africa's rulers have accepted the principle of the transfer of political power to the black majority, the two sides will have nothing to discuss. Before Monday's raids, officials had intensely accepted that President Botha had yet accepted this principle: now they are firmly convinced that he has

not.

If President Botha's aim was to try to drive a wedge between the moderate nationalists and the Communists on the national executive; between the exiled leadership and its supporters in the townships; and perhaps between those who run the organisation in exile and its spiritual leader, Nelson Mandela, he has not succeeded. But the potential for deep divisions along all three axes clearly remains a serious threat for the future.

The ANC's strategy of confrontation has, thus, over the past eight months, gone a long way towards creating an international image for the organisation which befits that of a legitimate government in exile, complete with all the diplomatic trimmings.

The aim, say officials in Lusaka, has been to gather the disparate forces of opposition to apartheid under the broad banner of the ANC, in order to push Pretoria to the negotiating table—as far as possible, on the ANC's own terms.

The idea seems to have been that the regime would be forced to negotiate a new constitutional future for blacks by the sheer weight of the political forces ranged against it.

What surprised the ANC and many other observers was, until this week, the apparently conciliatory posture of President P. W. Botha. Through his quiet signals of support for the Commonwealth initiative, he suggested that he might be ready to talk to the ANC.

After half a year of playing the relatively passive role of a shrine for liberal and radical South African pilgrims, the ANC was thus forced on to the

most articulate spokesman.

It could be said that negotiations of sorts have already begun as each side has been able to feel out the other on important

issues. The idea of a new constitutional future for blacks by the sheer weight of the political forces ranged against it.

But it has also emphasised considerable divisions within the group over the question of the role of violence, and the part to be played by negotiations, in achieving peace in Southern Africa.

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MR IVAN BOESKY emerged earlier this month as the owner of 9.8 per cent of the stock of Sperry Corporation — worth something like \$400m — as he and many other Wall Street risk arbitrageurs piled into the latest American takeover opportunity.

They were confident that the Burroughs/Sperry deal would continue the highly profitable run enjoyed by many arbitrageurs — sophisticated short-term speculators who concentrate mainly, though not exclusively, on takeover bids.

The arbitrageurs have been so successful that many US investment banks and other institutions have moved into the game. But opposition to the narrow and short-term activities of these traders simmers just below the surface.

Two weeks ago it came out into the open when Chemical Bank, a newcomer to the field, moved to restrain the activities of its arbitrage team after a boardroom debate.

And within the last few days a more serious threat to the feverish Wall Street climate of arbitrage and speculation has emerged with the sensational accusations of criminal insider trading levelled by the Securities and Exchange Commission, the statutory US regulatory agency, against Mr Dennis Levine, a mergers and acquisitions specialist at Drexel Burnham Lambert.

The suggestion is that many of Mr Levine's controversial dealings arose through contacts with the arbitrage fraternity. It is widely feared that other Wall Street operators will be caught in the SEC's net.

The concerns arise as the arbitrageurs look back on an unprecedented period of prosperity and expansion. They have pulled in backers from an increasingly wide field.

In March Mr Boesky, reckoned to be the biggest operator in the business, wound up his old corporation and launched a new investment partnership called Ivan F. Boesky and Company. He is reported to have raised at least \$1bn, and though he will neither confirm nor deny this, he emphasises that much of the money has come from respected financial institutions, including pension funds, both in the US and abroad, as well as wealthy private individuals.

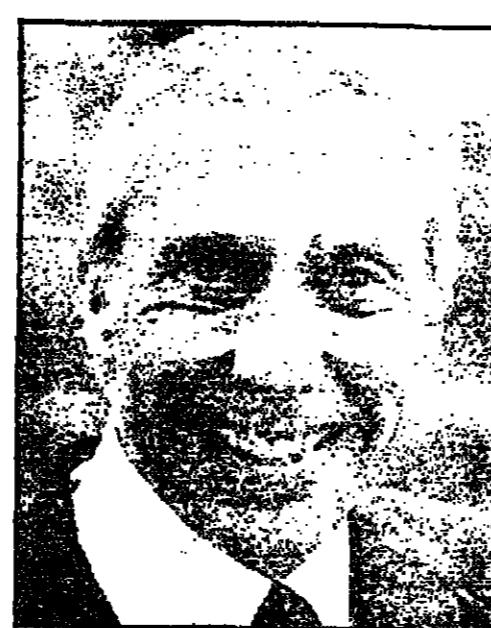
Others are also raising money from institutions. One of the medium-sized securities firms, Oppenheimer, says that it has pulled in \$120m since last September for an institutional arbitrage fund. Including a private client fund and the firm's own money, Oppenheimer's arbitrage department now manages a pool of money totalling about \$400m.

Foreigners, too, are dabbling

US takeovers

Why the 'arbs' are under fire

By Barry Riley,
Financial Editor



Ivan Boesky

in the business. The British merchant bank Morgan Grenfell set up an arbitrage team 18 months ago in New York headed by a Briton — an ex-corporate finance director. "It's been a terrific success," says Mr Keith Harris, managing director of Morgan Grenfell Inc, the British bank's New York office.

Although more money has been going into arbitrage, which might be expected to dictate the returns, the level of takeover activity has been rising too. Moreover, there have been fewer losses from the unexpected breakdowns of deals.

Consequently profits have been high. Oppenheimer, for instance, claims a return of 22 per cent between September and March, and April was "super" according to Mr Eric Rosenfeld, head of arbitrage.

"We've been on an incredibly lucky streak," he says, but he does not see arbitrage as essentially a speculative activity. He tries to diversify through as many as 50 different positions at any one time. "I don't think it's risky when done as a business."

The most controversial aspects of arbitrage are the attempts to precipitate takeover bids through the accumulation of large stakes, or even the use (much denied) of insider information. Some argue that such activities should not even come within the definition of insider trading.

In fact the core of the business is the juggling of risks and returns once a bid has been announced. Typically, there was a huge turnover in Sperry stock once the Burroughs approach had been made public, as institutions sold out and the "arbs" eagerly bought in.

Foreigners, too, are dabbling

in chiefly the risk aversion of US investment institutions that makes it all possible. Many are concerned to lock in an investment gain at an early stage of a contested bid. They do not appear to be greatly concerned that this means forgoing the benefit of the higher offers which usually come later.

The reason may be that the fund managers are fearful of being sued by beneficiaries of the unlikely event of the withdrawal of the bid — a subsequent collapse in the price of the stock. To this end, they are willing to pay some "insurance premiums" in the arbitrageurs.

The variety of investment instruments open to the arbitrageurs in US markets is also important to their success. Options are traded in many individual stocks, and more broadly based options and futures contracts are also available in a variety of interest rates and stock indices.

It is interesting that it is apparently much more difficult to make money through merger arbitrage in the UK, although some US arbitrageurs dabble in the British market.

The tendency of British institutions to hold on until the closing stage of contested offers leaves less room for the arbitrageurs to manage only on the basis of short-term objectives. Moreover, the actions of the UK Monopolies Commission and the Takeover Panel are not easily predictable.

In the end, the limiting factor for arbitrage in the US could be that too much money will be chasing too few situations, or that the political environment will change, possibly in response to the kind of insider

luck that the US has had.

What is certain is that arbitrage has become one of the most reliable money-spinning activities on Wall Street. But such success has also created resentment, and many US industrialists would be more than happy if enough scandal could be whipped up to cut the arbitrageurs down to size.

Inheritance tax and trusts

From Mr N. Powell

Sir, — The Finance Bill's effect on charitable trusts has received much attention, but there has been little public comment on the bill's treatment of private family trusts. While abolishing capital transfer tax on lifetime gifts between individuals, the Government appears to have decided to continue charging tax on lifetime gifts to and from family trusts (with limited exceptions in the case of trusts for people under 25 or the disabled). The reasons for this decision have not been given.

The bill's proposal flies in the face of everything that was said by ministers when they were in opposition and debating the capital transfer tax introduced in 1975. The present Prime Minister, the present Chancellor and other members of the committee which debated the 1975 Finance Act were adamant that the tax burden should fall fairly as between property owned by individuals outright and property held in trusts. They put down many amendments to secure this result. As Mr Nicholas Ridley then put it: "What is good enough for persons is surely good enough for trusts."

After assuming office, the Conservative Government made an exhaustive study of the taxation of trusts. In 1980 it issued a consultative document on "Capital taxation and settled property." This made clear that the approach of giving parity of tax treatment to trusts stems directly from that adopted for estate duty from 1914 onwards, and can perhaps be said to have stood the test of time. After canvassing ways of changing the system, the consultative document concluded that no more satisfactory method could be found. It also made clear that no representations had ever been received against the principle of parity of treatment between property owned outright and property held in trusts.

As the bill stands, a man will be able to make a trust for life for a child aged 24 tax-free. If the same thing is done for a child aged 25 there will be an immediate tax charge.

The tax on releases and gifts out of trust will especially affect will trusts set up under the old law. Some widows will have been left with the family home, the family business, or the family farm outright by their late husbands. These will be able to pass them on free of tax (subject to surviving seven years). Many others will have been left the property in trust for life, and these will have to pay tax on giving up their limited interests. This distinction in the tax treatment appears absurd. Furthermore, even if the Government has

Letters to the Editor

they represented for the last four years.

And in sharp contrast to the national trend towards Labour, Labour's share of the vote in Islington fell by several percentage points.

Richard Evans also suggests that the district auditor might decide not to press charges because many of the councillors concerned have now been re-elected. I hope he is wrong and that the auditor himself will write to denounce him if he is influenced by these purely political considerations.

Mary Campbell,
6 Grange House,
Highbury Grange, NS.

Combating terrorism

From Mr B. Steward

Sir, — It is perhaps significant that criticism of your editorial on Libya comes (May 15) from a Conservative resident in Washington. If he lived here he would know that opinion polls show that the majority of the British people (whatever "respectable" papers they read) fully support your enlightened and carefully reasoned views. They have learned from experience that war solves nothing and benefits nobody, that violence breeds violence, and that the method to war — the method of settling disputes — has become an anachronism. It may have seemed the right way for ancient Britons to behave, or even in this age for the Reagan Administration, but it is not the way now or in the future if humanity is to survive.

The suggestion that the Libyan adventure should be followed in Northern Ireland is too ludicrous to contemplate.

B. A. Steward,
Morden House,
Old Felstead, Suffolk.

Councillors and the surcharge

From the Vice Chairman, Stevenage SDF

Sir, — Richard Evans suggests (May 10) that London councillors potentially subject to surcharge have all been re-elected. This is wrong.

In Islington alone eight members of the former Labour group were defeated at the polls on May 8. A further two, including leader Margaret Hodge herself, would have been defeated if they had dared to face the voters in the wards

Labour group and the Tory Government were the real culprits."

Perhaps the election results have caused the Alliance to face the political truism that "... if you claim to be in charge, you have to accept the responsibility..."

As for his comments concerning the results of three city wards, what he failed to say was that in two other marginal (West Cheshire and Cheshire East), in spite of the intervention of Shirley Williams the Alliance vote collapsed.

(Councillor) Tony Barnes,
Guildhall,
Cambridge.

Pollsters and pundits

From Mr N. Winterton MP

Sir, — Pollsters and pundits have really been having a field day following the local authority elections last week. Weird and wonderful predictions for future government have been made, but none seem more incredible to me than those put forward by Peter Riddell (May 15) relating to the Macclesfield constituency in Cheshire.

He suggested that if the recent local election results were extrapolated to predict the outcome of the next General Election, then the constituency of Macclesfield, which I had represented for 15 years, would be gained by the Alliance. Mr Riddell should really have done his homework a little better before putting pen to paper. Too many political journalists seem to make profound judgments and statements from south of Watford in virtual ignorance of reality. The fact is that my majority in Macclesfield is the fourth largest Conservative majority in the country and, following the recent local government elections, Macclesfield remains the only Conservative controlled local authority in the whole of north west England!

My vote at the last General Election was almost 60 per cent of the turn out and I can assure Mr Riddell that I do not happen to be one of those Members of Parliament who sit on their backsides and take a majority for granted.

Even had the local election results been as gloomy as Mr Riddell portrayed, the fact is that they cannot realistically be extrapolated to predict a General Election position as Mr Riddell being a lobby correspondent and experienced reporter should have known.

Campaigns, issues, turn-out and results differ tremendously between the local and national Government and I am sure that I can look forward with confidence to continuing to represent Macclesfield in Parliament for some time to come.

Nicholas R. Winterton
House of Commons, SW1.

In his comments regarding the 33 per cent rate increase was somewhat surprising — but none the less, welcome — as during the recent election campaign he, and his colleagues, were claiming that the minority

The UK economy

New light on price rises

By Robin Marris

TWO statistics dominate economic reporting:

the level of unemployment and the inflation rate. Most of us, with the clarity of hindsight, understand the connection between them — that fear of renewed inflation is the obstacle to expanding real demand and reducing unemployment. But what lies behind the Retail Price Index, which thus governs our economic destinies? We know it is an average of price changes among many commodities. Are there persistent leaders? Can we identify a "competitive" sector of the economy? Is there a "grey economy", where prices, being more influenced by the balance of demand and supply, are less influenced by cost-push?

In pursuit of such questions I decided to try to make use of the more detailed data available in the Department of Employment Gazette and other official publications. What I found was not, in Bryson's words, "that which I sought"; but, I believe, equally interesting.

Meanwhile, as the Chemical Bank episode has shown, resentment over the activities of the arbitrageurs is strong. Notions of shareholder loyalty in the US have been shattered because of the easiness of institutions to take their money and run.

The arbitrageurs may be willing to hold out for a higher price, but continued independence for the offeree company is at that stage no longer an option. Arbitrageurs now reckon that 90 to 95 per cent of situations in which companies are "put into play" result in a takeover.

For example, by the closing

rates represent the price of a service rendered by private lenders to house-buyers the public sector, or of the "solidarity society", this apparent "market" price is in practice dominated by general money rates, which are in turn dominated by central government policy. Thus the main RPI items included in the "public" category are rents (which in the RPI are mainly council rents), mortgage interest payments, rates, car and TV licences, phones, rail fares, and food and tobacco.

The RPI item for mortgage interest reflects the rate of interest of nominal interest rates. The excess of the index's inflation rate over the national average inflation rate is thus a measure of the growth of real interest rates. This growth, as can be seen by comparing the mortgage interest row with the "all items" row has been sharp throughout the period.

Defining "public" prices in this way does not mean treating the government as monolithic. The present central government, while keeping up interest rates and indirect taxes, which are public prices at the same time, exerts much government pressure to restrain the rates, which are also public prices.

The distinguishing feature of the prices included in my "public" category is not that they are all set in one way but rather that the forces setting them are not the market forces of supply and demand.

Subject to the exchange rate, the private sector is the one defined as "all other". The qualification is energy. Because the 1973-82 inflation, both in the UK and worldwide, was triggered by the doubling of crude oil prices (so-called "second oil shock" between 1978 and 1980), I created a separate sector of energy items including not only oil, but also coal, gas, electricity and petrol. Corresponding nationalised industries were therefore not included in the "public" sector.

The private sector was further divided (see table) into services and goods, and the latter were subdivided into food, clothing, cars and other.

(Behind all this lies data gathered by the Department of Employment relating to about 20 items of services, 90 foodstuffs, a dozen clothing items and maybe a score of other "goods".

The result is, I think, quite striking. Both in 1978-82, when inflation was rampant, and in the subsequent period, when it was stable (and also in 1985 itself), the public items persistently led. The proverbial man from Mars, studying the table alone, would reach the simple conclusion that our inflation was largely caused by our Government.

This is rather hard on a Government which believes its policies to be anti-inflationary. The interest rate is high to pro-

ANATOMY OF UK INFLATION

	Average inflation rate, 1978 to 1984		
	Per cent weight 1983-84	Per cent per year 1978-82	1982-84
Energy items	11.5	17.8	5.2
Mortgage interest	4.6	30.2	6.4
Rent/rates	7.6	19.5	7.6
Drink/tobacco	11.2	14.5	6.8
Post/phone	18.0	15.3	5.0
Other	1.5	10.2	9.4
All "public" items	26.7	17.4	9.4
"Private" services	13.2	14.1	6.7
Food	19.0	10.8	3.2
Clothing	7.5	6.1	3.6
Cars	1.5	1.9	2.2
Other goods	14.6	10.3	5.1
All "private" goods	48.6	9.8	3.8
All "private" items	61.8	10.7	4.4
All items in RPI	100.0	13.1	5.5
Imported goods		7.4	5.6

* Based on Retail Prices Index in January each year. † Rail fares, car, radio and TV licences. ‡ Includes car maintenance and insurance, restaurant meals. § Comparable models: purchase prices, new and second-hand.

tect the exchange rate. The exchange rate is protected to restrain domestic prices, and so on.

Keynesians and "wets" (the two are not synonymous) can be a very dry Keynesian as Keynes himself, were he alive today, almost certainly would be) argue that the exchange rate and interest rates are too high and domestic demand too low to permit the rise in exports and domestic employment. Sophisticated Government supporters retort that if the Government lowered taxes and nominal interest rates, while letting the nominal exchange rate slide, domestic inflation would accelerate to such an extent that neither interest rates nor the real exchange rate would, in the event, decline, so there would be no real demand. Instead of economic recovery, there would be accelerating inflation and general chaos. The only solution, according to this view, is to soldier on until inflationary expectations have been finally ground out of our society.

But what I think my table shows is that this "sophisticated-Thatcherist" argument itself contains a Catch 22. The irony, by treating a state of affairs where public inflation is irreducible for over a quarter of the weight of the Retail Prices Index, is always ahead of

SECTION III

FINANCIAL TIMES SURVEY

Wednesday May 21 1986

JUN 15 1986

Finland

ECONOMY • TECHNOLOGY • INDUSTRY

Conflict on the labour front aroused fears that the traditional Finnish policies of stability and consensus were beginning to fade. A wage settlement has now been hammered out between the government, employers and the unions

Pact ends the turmoil

FINLAND has endured a long and difficult spring as one conflict after another has broken out on the labour market. The Minister and Mr Esko Ollila, the Finance Minister, to celebrate a new tripartite wage settlement against the currency and the steeply falling oil price has threatened to leave a deep mark on the country's trade with the Soviet Union.

The Finnish tradition of consensus, that has been so carefully built up in recent years, has come under pressure and at one point it appeared that the long period of relative industrial peace was about to be broken by a long and costly general strike in manufacturing industry—on a scale that had not been seen since the 1950s.

The strike did break out, but it was short-lived and appeared to have caused no lasting damage to the established Finnish practice of negotiated incomes policy.

The threat was serious enough, however, for Mr Mauno Koivisto, the President, to intervene with a warning to the employers and the unions of the long-term dangers the conflict threatened. The President claimed that a new situation was emerging in Finland. The policies of stability and consensus were fading away and new configurations were being sought in the labour market.

The President's warning had the desired effect and within days the leaders of SAK, the blue collar workers trade union confederation, and STK, the Finnish employers' federation, were gathered in the Govern-

ment's banqueting hall together with Mr Kalevi Sorsa, the Prime Minister and Mr Esko Ollila, the Finance Minister, to celebrate a new tripartite wage settlement against the currency and the steeply falling oil price has threatened to leave a deep mark on the country's trade with the Soviet Union.

As has become customary in Finland the agreement covered not only wages and conditions but also included a package from the Government, including measures for economic stimulation, tax reliefs and improved social benefits.

Finland's rather corporatist

way of solving its economic

problems often appears to

leave the Finnish parliament,

the Eduskunta, out on a rather

lonely limb. But it should be

said that it has helped to bring

Finland substantial benefits in

terms of industrial and social

stability for more than a de-

cade.

Although the country's eco-

nomic prospects are now less

favourable than they have been

for several years this is only to

say that Finnish growth rates

are no longer out-pacing the

rest of the OECD area.

In the period from 1982 to

1985 the growth in gross domes-

tic product has been relatively

constant at around 3 per cent

a year and during the same

years Finland has managed to

keep unemployment well below

general European levels. The

jobless rate has risen only mar-

ginally from 5.9 per cent in

1982 to 6.3 per cent in 1985.

At the same time Finland has

tried manfully to break out of

its previous devaluation cycle

by trying to bring its rate of

inflation and cost increases

down to the levels prevailing in

competing countries. Inflation

has declined sharply from 12

per cent in 1981 to 5.9 per cent

in 1985.

The trend has continued

downwards with a rate of 4.5

per cent in January and hopes

of achieving a 1986 average in-

crease of 3.25 per cent, with an

even lower trend by the end of

the year of 2.5 per cent in De-

cember.

During much of the recent

period Finnish monetary and

fiscal policies have been

counter-cyclical, a stance that

has met with much success; but

that strategy is now coming

under increasing pressure. The

central bank has been forced

to keep money market rates

high, which would be

justified in the interests of en-

couraging a faster tempo of in-

vestment—so as to counter

speculation against the Finnish

markka in the foreign exchange

markets.

The central bank was forced

to make a partial retreat in late

May with a technical adjustment

of the currency basket amounting

to a mini-devaluation of

about 2 per cent. It remains to

be seen how well its nerve holds

in coming months or whether

political and market pressures

for further adjustments of the

currency become irresistible.

Meanwhile, it is argued by

many in Helsinki that the

model of social and political

organisation built up since the

mid-1960s will have to be re-



Worker at a paper mill. Finland is having to move faster to restructure its established industries

formed or modernised to respond to the demands of a

changing society. Signs of the wish for change were clearly visible in this year's wage negotiations.

Traditionally it has been the

blue-collar workers' organisation SAK that has set the most

important markers and has

taken the lead from the unions' side in the national income

policy negotiations. The

strength of SAK is still consider-

able, but as the public and

service sectors grow the white-

collar workers in Finland—as

elsewhere—are beginning to

wield new influence.

In the event it was the em-

ployers who seemed to back

down in the face of the threat

of a prolonged strike in manu-

facturing industry. Fears of los-

ing market shares in Western

markets through protracted in-

dustrial conflict was clearly a

strong motive to settle, but it

also appeared that the employ-

ers had not quite thought

through the full implications of

their actions of allowing the

white-collar and public-sector

settlements to lead the wage

negotiations when the em-

ployers suddenly announced

a national agreement with the

white-collar workers before any

settlement had been reached

with SAK.

The blue-collar workers felt

that their position as the

leaders of the Finnish labour

movement was under dire

threat and began to mobilise

for a national strike. The gulf

that opened up between SAK

and the white-collar workers

organisations posed difficult

problems for the Social Democ-

rats, the leading party in the

coalition government, as they

appeared to have to choose

between supporting one set of

allies in the white-collar worker

organisations or their tradi-

tional supporters in SAK.

In the event it was the em-

ployers who seemed to back

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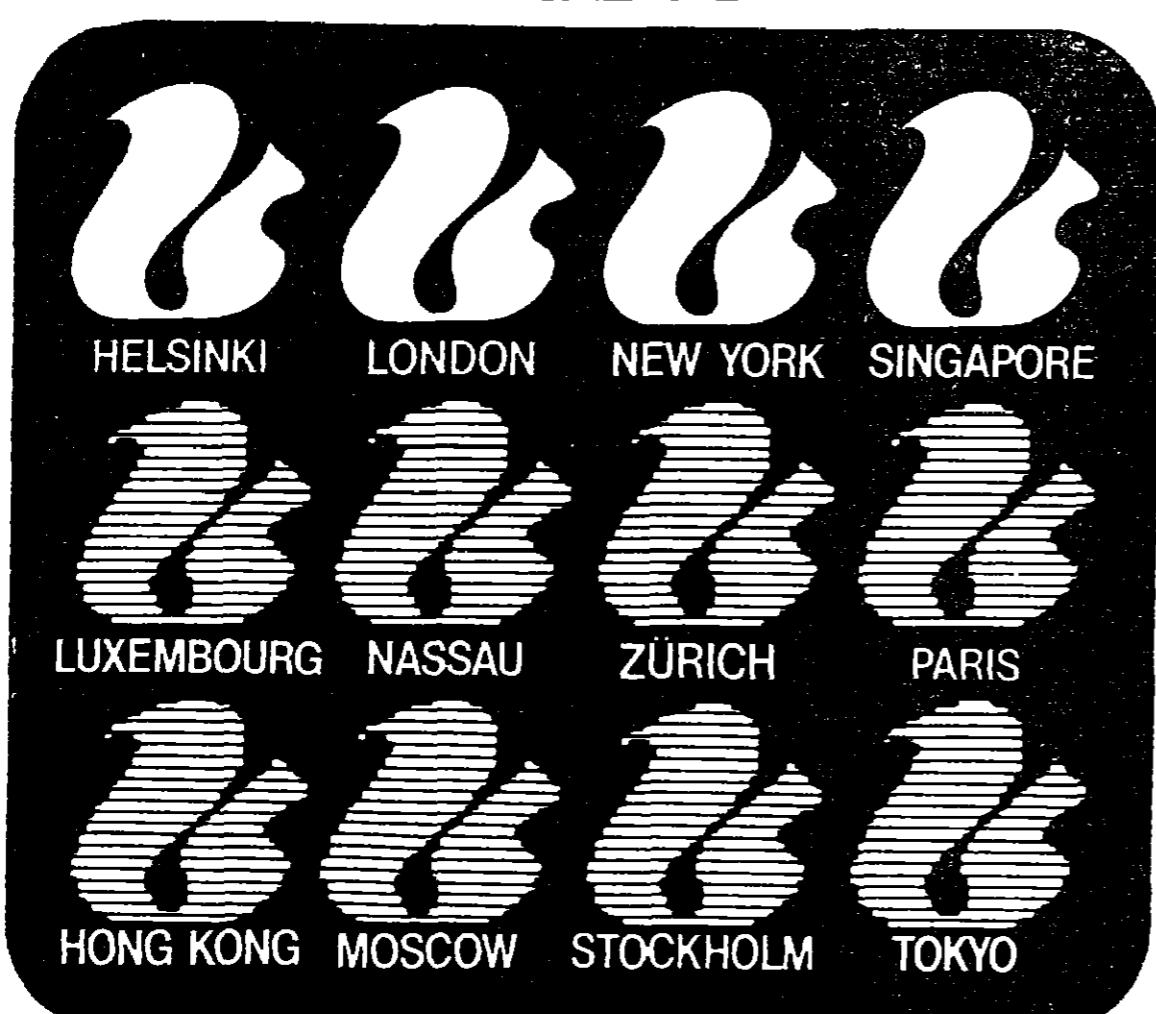
with SAK.

The economy in figures

	1981	1982	1983	*1984	*1985
Gross Domestic Product—current market prices (markkina/m)	218.5	245.2	274.4	308.3	337.6
(% change)†	13.5%	12.2%	11.9%	12.3%	9.5%
Gross Domestic Product—constant 1980 market prices (markkina/m)	196.0	201.8	207.8	214.0	220.1
(% change)†	1.8%	3.0%	2.9%	3.0%	

KANSALLIS

LEADING COMMERCIAL BANK IN FINLAND



Kansallis-Osake-Pankki, Finland's leading commercial bank, was founded in 1889. Privately owned, total assets over USD 12,000 million (Dec. 31, 1985). Branches and subbranches: 682. In

addition to its own international chain, Kansallis-Osake-Pankki has a network of more than 2,000 correspondent banks around the world.

KANSALLIS BANKING GROUP

KANSALLIS-OSAKE-PANKKI

Head office: Aleksanterinkatu 42, P.O. Box 10, SF-00101 Helsinki, Finland. Tel: 12412. Phone +358 0 1631. Cables: kansallis. SWIFT: KOPFHKK. Overseas Branches: London, New York, Singapore. Subsidiaries: Kansallis Finance Ltd., Helsinki. Kansallis Leige Bank Ltd., London. Kansallis International Bank S.A., Luxembourg. Kansallis Overseas Bank Ltd., Nassau. Kansallis International Bank (Asia-Pacific) Ltd., Singapore.

THE INTERNATIONAL FINNISH BANK

Nordfinanz Bank Zurich, Zurich. Overseas Branch: Nassau, Bahamas. Subsidiary: Nordfinanz Bank Zurich (Overseas) Ltd., Nassau, Bahamas. Representative Office: Sydney, Hong Kong. Associated Banks: Manufacturers Hanover Banque Nordique, Paris. Representative Offices: Hong Kong, Moscow, Stockholm, Tokyo.

Scandinavians Join Forces in Paper Machinery.

Valmet of Finland and KMW of Sweden have formed a joint venture in paper machinery. The resulting new company — Valmet-KMW — is based on KMW's operations in Sweden and the US and it now becomes a member of the Valmet Paper Machinery Group. The

new forceful Nordic combination has manufacturing facilities on all its present major markets — Europe, the United States and Canada. It is also globally represented by marketing organisations including the TVW network.



A leading position

Valmet and KMW together make up a leading position in the paper machinery business. Their product range is complementary — Valmet's printing and writing paper profile is combined with KMW's tissue know-how — and so is the geographical presence. Valmet in Finland and Canada, KMW in Sweden and the US. The total sales of the Valmet Paper Machinery Group will amount to approximately 500 million USD in 1986 and this, as well as the supporting personnel resources, will give it a pole position in the global paper machinery market.

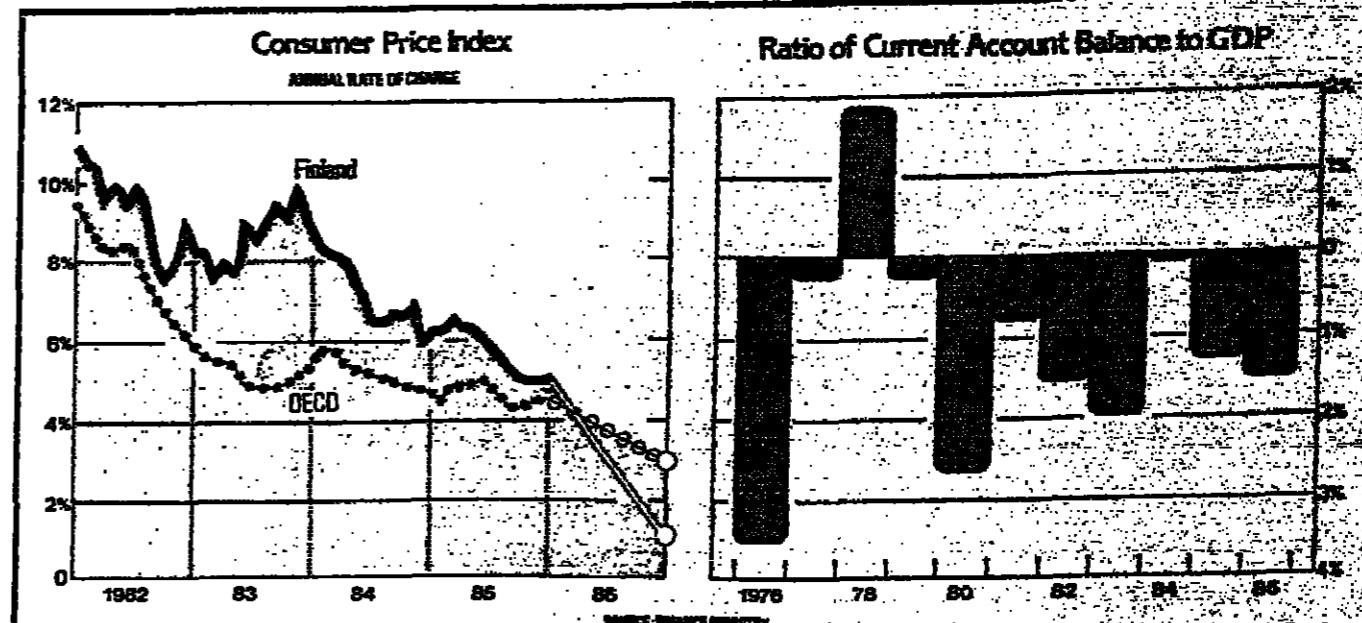
R & D emphasis

The strongpoint for Valmet as a group, as well as Valmet-KMW as a company, is the R & D capability which now includes pilot paper machine installations in Finland as well as in Sweden. This together with a broad range of experience and involvement in paper machinery drives, foundry and mechanical components, ventilation and process automation gives the new Nordic paper machinery team a true competitive advantage — for the benefit of customers world-wide.

VALMET

Valmet Corporation, Paper Machinery Group, P.O. Box 158, SF-40101 Jyväskylä, Finland. Tel: 28213. Valp. st. Telefax: +358 41 213 100

FINLAND 2



Setbacks for balanced growth

Economy

KEVIN DONE

SINCE THE mid-1970s the Finnish economy has expanded at a rate faster than the average for the industrial countries and for a long time Finland seemed to have mastered the trick of achieving balanced growth while gradually reducing inflation and maintaining relatively low unemployment levels.

As last year's OECD report observed: "Looking back over the five years which have elapsed since the second oil shock, the improvement in Finland's economic performance compared with the aftermath of the 1973 shock is striking. The result is all the more impressive when viewed in relation to the OECD as a whole or to the rest of Europe."

Suddenly, however, the outlook no longer appears to be quite so rosy. The Finnish economy suffered a decided turn for the worse towards the end of 1985. The rate of growth decelerated considerably, exports suffered a setback and unemployment appeared to be on the increase.

According to one senior official of the Finnish central bank: "This is a real test for Finland's economic policy, and the test is just beginning when we come into difficulties."

The economy, which had been expanding at around 4 per cent in the first half of 1985, slowed to only 3 per cent in the second half. On the brighter side, however, inflation was falling and approaching average levels for the rest of the OECD.

The precipitous decline in oil prices, so welcome in most industrial countries, poses in Finland a major threat to the level of the country's vital bilateral trade with the Soviet Union. This trade has served as an important stabilising factor during the first half of the 1980s, a period when Finland has been better able to cope with the second oil price shock and has outperformed the rest of Europe.

Trade with the Soviet Union — it accounts for 20 to 25 per cent of Finnish exports and Finland has become the Soviet Union's second most important trading partner after West Germany — has to balance over the medium term. However, Finland's imports from the Soviet Union are dominated by an overwhelming degree by energy, chiefly crude oil.

During all the years of rising oil prices and then a rising US dollar, Finland has been able to rapidly increase the volume of its exports to the East, but now suddenly that prop appears to have been kicked away. According to the Finance Ministry, exports to the Soviet Union could fall by 5 per cent in volume this year and by fully 20 per cent in 1987.

The weakening of the US dollar has served to exacerbate the oil price decline and the problems of trade with the East, but it has also undermined the competitiveness and profitability of industries exporting to the West, such as the pulp and paper sector, which still accounts for close to 40 per cent of Finland's export revenues.

The forest industry has been hard hit too by high labour costs and high real interest rates. The high cost of capital is seen by the Finance Ministry as one reason for the fact that investments generally did not expand as expected last year.

Instead of the 3.5 per cent growth in gross domestic product expected in 1985, Finland had to make do with an estimated economic growth of 2.8 per cent.

For 1986, the latest estimate is a GDP growth of about 2 per cent helped by the package of economic stimulation measures agreed by the government as its part in the income policy settlement reached in March. Such a growth rate would be considered respectable in many parts of Europe, but in Finland it could be the lowest rate of economic expansion for nearly a decade.

The 1986 wage round has proved to be a fractious experience and Finland went to the brink of industrial conflict on a scale the country has not experienced since the 1950s. At the last moment the unions and employers pulled back from the edge, however, and the tradition of consensus rather than confrontation which has been established gradually since the 1960s survived.

Despite the national framework agreements reached

during March between the employers and the central trades union confederations, trouble on the labour front has continued to rumble on in a limited way during much of the spring and early summer, with a prolonged strike by 42,000 civil servants, and strikes by 10,000 electricians — with a loss of a further 7,000 to 10,000 construction workers and a smaller number of power station workers.

Briefly, in early March Finland was plunged into a far more worrying general strike which threatened to close down virtually the whole of manufacturing industry.

The prospect of prolonged labour unrest began to fuel speculation about an imminent Finnish devaluation, but a settlement was reached before the conflict could inflict any real damage (otherwise a tight monetary policy and high real interest rates have kept speculation against the currency at bay).

The labour market agreement in mid-March removed a major element of uncertainty that had been hanging over prospects for Finland's economic development during the next two years, and the relatively moderate wage settlement allowed the government to step in with a package of measures to support growth in the short term.

The major sticking point in the negotiations between SAK, the blue collar workers' central organisation of trades unions, traditionally the most powerful trade union organisation in Finland, and STK, the Finnish employers' association, was the question of shorter working hours.

With a sharply-falling inflation rate, SAK accepted that there was only a limited margin for nominal wage increases this year and decided to concentrate instead on qualitative issues by pushing the case for a 35-hour week. The employers strongly resisted the demands for a cut in working hours, unless such a move was reciprocated by the trades unions agreeing to greater flexibility.

To the unions' "flexibility" meant giving the employers the right to insist on longer working hours at times of peak demand and shorter hours during slack periods. "That

is the basic agreement allows for a 2.4 per cent wage and salary increase in 1986 and 2.5 per cent in 1987, but the employers claim that one carry-over from previous agreements and wage drift are included, gross earnings for industrial workers will rise by 6.1 per cent in 1986 and 5.7 per cent in 1987.

The Finnish employers' confederation estimates that employers' labour costs will rise by as much as 7.8 per cent this year, once increased social costs and this year's reduction of working hours are included.

At the same time, however, productivity is still rising fast in Finland thanks to very high investment levels in recent

years, and a productivity gain of about 4 per cent is forecast for 1986. Despite this compensation, the employers expect Finland's unit labour costs relative to the OECD to increase by 3.5 to 4.5 per cent by the end of the national pay deal.

Such a development could easily have accelerated the loss of foreign market share and the government is forced to take steps in its part of the national income policy settlement to ease the problem by reducing industry's costs burden.

As part of general measures to help export industries it is changing the method of energy taxation to a value added system, a step that will cut industry costs by about FMK 1bn. The government estimates the move will have an effect equivalent to a devaluation of about 4 per cent.

To ease the passage of the incomes settlement the Finnish government has come up with stimulatory measures worth about FMK 2.4bn — much of which will take effect in 1987 — including the energy tax reform, FMK 700m spending on public works projects and house building, income tax cuts of FMK 1.5bn and a freezing of FMK 4bn of investment reserves placed by companies in blocked accounts at the central bank from 1984 earnings.

Finland has managed to keep a prudent control of state finances — in marked contrast to some of its Nordic neighbours — and at around 14 per cent of GDP, Finnish state debt is probably the lowest in the whole of the OECD.

The inflation policies have to be handled with caution, however, because of worries about a negative development in the current account which showed a deficit last year of FMK 4bn instead of being in balance as earlier expected. A further deficit of FMK 4.5bn is expected this year as a result of falling export prices.

On the positive side inflation, which averaged some 5.8 per cent in 1985 is expected to fall to about 3.5 per cent in 1986 with a year-on-year increase by December of only 2.8 per cent. That should ensure an increase in real wages in Finland this year of at least 3 per cent.



From start to Finnish.

The Finns come to Britain for more than the Lombard RAC Rally.

During 1985, the Finnish Paper Industry came to Cornwall for large amounts of china clay from ECC International.

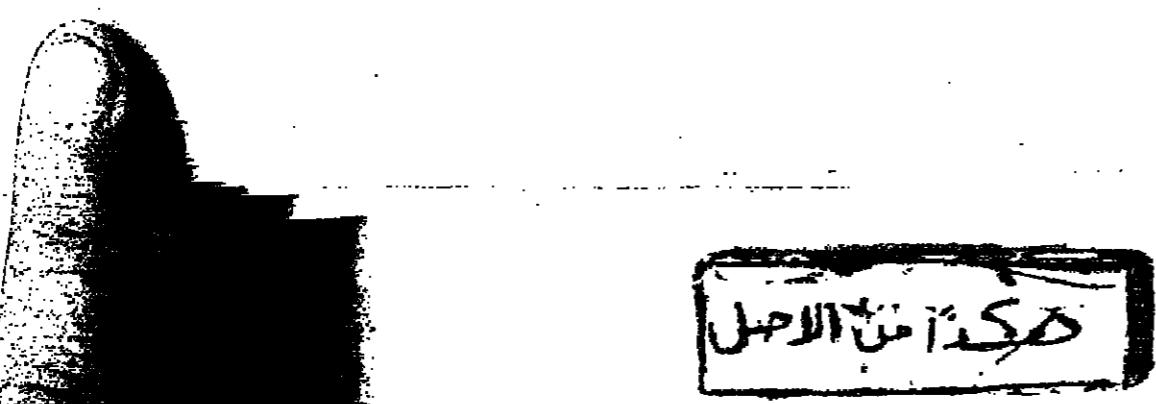
Like their rally drivers, Finnish Papermakers are very careful in their selection of suppliers.

Both for filling and coating their papers the Finns expect the highest quality consistent materials.

In other words a supplier service that leads the field at every stage — from ECC International.



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FINLAND 3

Banks hold the power

THREE THINGS about Finland's business structure are particularly striking: the role played, for such a small country, by relatively large companies (including the state-owned companies); the extraordinarily powerful position held by the two biggest commercial banks; and the rapid internationalisation of Finnish industry over the past few years.

To take the third point first, the trend towards greater internationalisation comes later to Finnish industry than to the other Nordic countries for the good reason that Finland only industrialised later, after the second world war.

In the past few years the Finnish companies have been making up for lost time. They have been especially active in investing in Sweden, with Finnish direct investment in Sweden exceeding investment in the other direction for many years now.

Significant examples over the past year are metal producer Outokumpu's acquisition of the Gränges copper-smelting facilities from Electrolor; chemical company Kemira's acquisition of Esso ammonia plant in Holland and a titanium oxide plant from American Cyanamid in Savannah, Georgia; and Nokia's acquisition of Marikov Rata Sciences subsidiary in six European countries.

Finnish manufacturing is dominated by two sectors: the forest industries, which account for about 38 per cent of export earnings, 20 per cent of value added, and 14 per cent of the labour force; and the metal and engineering industries, which account for about 36 per cent of exports, 30 per cent of value added, and 35 per cent of the labour force.

The structure is changing gradually, as the predominance of the forest industries is reduced by the faster growth of other sectors, a trend which is likely to continue.

A handful of very large companies—Wärtsilä, Nokia, Kone, Tampella, Kymijärvi, United Paper, Ahlström, to name a few private companies, and Valmet, Enso-Gutzeit, Outokumpu, Neste, Kemira and Rautaruukki among the state-owned group—dominate very largely the overall picture of Finnish industry. There seem to be relatively few medium-sized companies compared with other smaller European countries, but a very large number of small ones.

Among the reasons for the existence of the large companies is, of course, the importance of economies of scale in the capital-intensive forest and metal-processing industries. Another factor was the forced development of the shipbuilding and engineering industries in the first post-war decades.

Finland is not only a free-enterprise economy, but its constitution, which requires laws affecting property rights to be passed through the parliament with a five-sixths majority, was deliberately designed in 1919 to keep it that way. It is slightly surprising, therefore, to learn how important is the role of the state-owned corporations.

The state-owned companies, which include Imatran Voima, the airline, Ilmatrans, the power line, Ilmarinen Voima, the paper mill, and Alko, the state monopoly alcohol business, as well as the industrial companies, account for about a quarter of the value added and 14 per cent of the labour force.

They were not formed, however, in order to nationalise particular industries (Valmet

Business structure

HILARY BARNES

competes with Wärtsilä in shipbuilding; Imatran Voima has a private counterpart), but to ensure the supply of vital raw materials (Kemira, founded in the 1920s, to provide a supply of sulphuric acid) or develop resources for which Finnish private capital was insufficient (the Rautaruukki steelworks).

The companies operate in principle, and most of the time in practice, as private, profit-making corporations and are held at arm's length from the government. From time to time, however, the arm has a way of shortening.

The arm's length relationship tends to break down because jobs on the supervisory boards of the state companies are among the plum rewards for prominent politicians. Prime Minister Sorsa is currently chairman of Finniair, the Minister for Foreign Trade, Jorma Latvala, is chairman of Valmet; the secretary of the Social Democratic Party, Eeriki Liikanen, is chairman of Outokumpu.

Every now and then the dis-

tinction between the politician's vote-maximising role and the chairman's duty to profit-maximise becomes blurred, and the political chairmen spend more time lobbying the government for money to maintain non-profitable operations than they do in ensuring that the company is running efficiently.

Following a couple of particularly noticeable cases of lobby activities by corporate chairmen in the early 1980s, a statement of principles for the state-owned companies was adopted in 1983, under the inspiration of one of the outstanding personalities in Finnish public life, Mr Børn Wahlroos, who is permanent head of the Ministry of Trade and Industry.

The principles emphasised the duty of companies to make enough money to pay a respectable dividend to the state, as well as ensuring the primacy of corporate efficiency, the main task of the chairmen of the supervisory board.

Ask Finns where the real power lies, however, and most of them say without hesitation: with the banks.

The power of the banks arises from two basic factors. First, banks are permitted to own up to 20 per cent of the equity in other companies. Second, the tax system has discriminated heavily in favour of savings in the form of bank deposit accounts and against the equity market, which means that the banks are a main source of capital.

Two banks dominate Finnish banking, Union Bank and Kansallis-Osake-Pankki. Each has substantial equity holdings in the largest privately-owned corporations.

Very little happens in Finnish business in which the two top bankers, KOP's Jaakko Täistola and Union Bank's Mikko Täistola, do not have a crucial say, and the banks will often initiate rescues, management shake-outs, mergers and even the structural reorganisation of large parts of industry.

Everywhere one goes in Helsinki this spring, there are posters of Lassila (assuring a housewife that the bank can solve all her problems) and Täistola (telling a bank assistant that a wonderful job at the Union Bank has swallowed up the Bank of Helsinki) beaming down like benevolent uncles. But no Finn is fooled by the sweet smiles; they know that probably no two other men in Finland carry such clout.



Control room in a paper mill. Export industries such as pulp and paper are being helped by government measures to ease energy taxation

Need to adjust exports

FINLAND IS one of the few non-oil-producing countries

which will not immediately benefit from falling oil prices. This reflects the fact that it imports most of its energy products from the Soviet Union, with which trade is conducted bilaterally and on the principle that it must balance.

Falling oil prices therefore mean that Finland's exports to the Soviet Union—all other things being equal—will fall.

These prospects face Finnish industry with the need to make a rapid readjustment in their export priorities if the total share of their exports is not to stagnate or even decline over the next couple of years, particularly for those sectors most dependent on the Soviet market, such as machinery and clothing producers.

In 1973, when the first world oil shock came, the Soviet Union accounted for about 12 per cent of Finland's foreign trade. The share increased rapidly over the next few years as Finland increased its exports to the Soviet Union to pay for the oil and oil products which it imports from the Russians.

In 1983 the share of the Soviet Union in Finland's foreign trade peaked at 25-26 per cent. Last year it was down to 21 per cent, and is expected to fall sharply in 1987 (there is probably some decline this year as well, but there is a rouble 300m clearing account or credit—which will act as a buffer for Finnish exports this year).

The structure of Finland's trade with the Soviet Union has not changed much over the years. About 90 per cent of Finland's imports from the Soviet Union consist of raw materials and over 80 per cent

of crude oil and oil products. On the export side, almost half the total consists of the products of the machinery and transport equipment industry, with exports of ships worth FM 4.1bn in 1985, followed by a major part; paper and board, FM 3.2bn; miscellaneous consumer goods, FM 2.6bn; and chemicals, FM 1.1bn, the other major export items.

In the past, large construction projects on the Soviet side of the border, carried out by Finnish companies and Finnish labour, were important, but with completion of the giant Kostasaari iron ore mining town last year, the importance of the so-called project exports has diminished.

The 1986 trade protocol with the Soviet Union put trade at just over FM 19bn each way and was based on a dollar price of oil of \$23 per barrel. Since then Neste, the Finnish oil refinery, has negotiated a price of \$18-17. In addition, the value of the rouble has depreciated (as the dollar has a heavy weighting in the basket against which the rouble's value is defined). The value of the exports which Finland needs to make to pay for its imports from the Soviet Union has therefore been almost halved since the end of last year.

However, the Finns do not believe the reduction will be as sharp as the bare figures might suggest. A finance Ministry official said he thought exports to the Soviet Union

would fall by about 20 per cent in 1987.

"The message we have been getting from the Russians in the past few months is that there is no cause for alarm," says an official at the Finnish Ministry of Foreign Affairs.

According to the official, there would be some increase in imports (petrochemicals, raw materials for the chemical industry and metals are on Finland's list of possible items); exports would be slightly reduced and there would be flexible use of the clearing account to smooth out Finland's trade surplus over an adjustment period.

Other possible sources of increased imports are natural gas, of which Finland already imports about 1bn cubic metres. Imports could be increased if the Helsinki city council decides in favour of gas for home heating, which it is expected to do. A Third Soviet nuclear power reactor to join the two already being operated by the state power utility Imatran Voima is another possibility.

The forest industries are not so seriously affected by this process of readjustment. Only about 12 per cent of their total exports of FM 29.4bn last year went to the Soviet Union. But almost half the clothing and footwear exports, totalling FM 4.2bn, went there, as did 40 per cent of the machinery sector's exports, worth FM 21.1bn.

It will not be easy for either of them, geared as they have been for the past decade to expansion in exports to the Soviet Union, to make the sudden switch towards Western markets.

Significant time of change

Politics

KEVIN DONE

that it has become clear that the gulf between the two factions could no longer be bridged. Moscow has fought resolutely to keep the Finnish Communist Party together, but finally appears to be accepting the inevitable break-up.

Given the earlier turbulence of Finnish politics—the average life of a Finnish government is still little more than a year—the coalition of Social Democrats, the Centre Party, the Swedish Peoples Party and the Rural Party, which was formed after several weeks of intense negotiations in the wake of the March 1983 election, has shown a surprising resilience.

In terms of Finnish foreign policy, the split of the Communist Party has had little significance, and both the Social Democrats and the Centre Party have long since established their own satisfactory relations with Moscow.

Domestically, however, it is a different story. The decline of the Communists means that at next year's general election in March, Finnish voters are likely to elect the biggest non-socialist majority to the Eduskunta, the Finnish Parliament, of most of the period since 1937.

Despite its apparent apparent tranquility, the Finnish political scene is currently going through a period of significant structural change, however, as a result of the decline and internal wranglings of the Communist party. For all practical purposes the Finnish Communists have now split into two separate entities. The rift is nothing new. The Finnish Communists have been speaking with two voices for nearly two decades. The split between the majority or Euro-Communist faction and the minority, Stalinist wing came properly into the open after the Soviet invasion of Czechoslovakia in 1968, but it has only been during the past two years

Imports and exports with the Soviet Union	
	(FM m)
Total	17,100 18,804
Food	962 962
Non-edible raw materials	989 477
Energy	14,045 12,203
of which oil, oil products	12,203 711
natural gas	711
Chemicals	711 1,096
Semi-finished goods	451 4,492
of which paper and board	3,234
Machinery	701 4,071
Ships	2,590
Miscellaneous finished goods	1,938
Clothing, footwear	1,938
Finlands' total imports/exports, 1985	81,406 84,022

Source: Bureau of Statistics monthly bulletin of foreign trade

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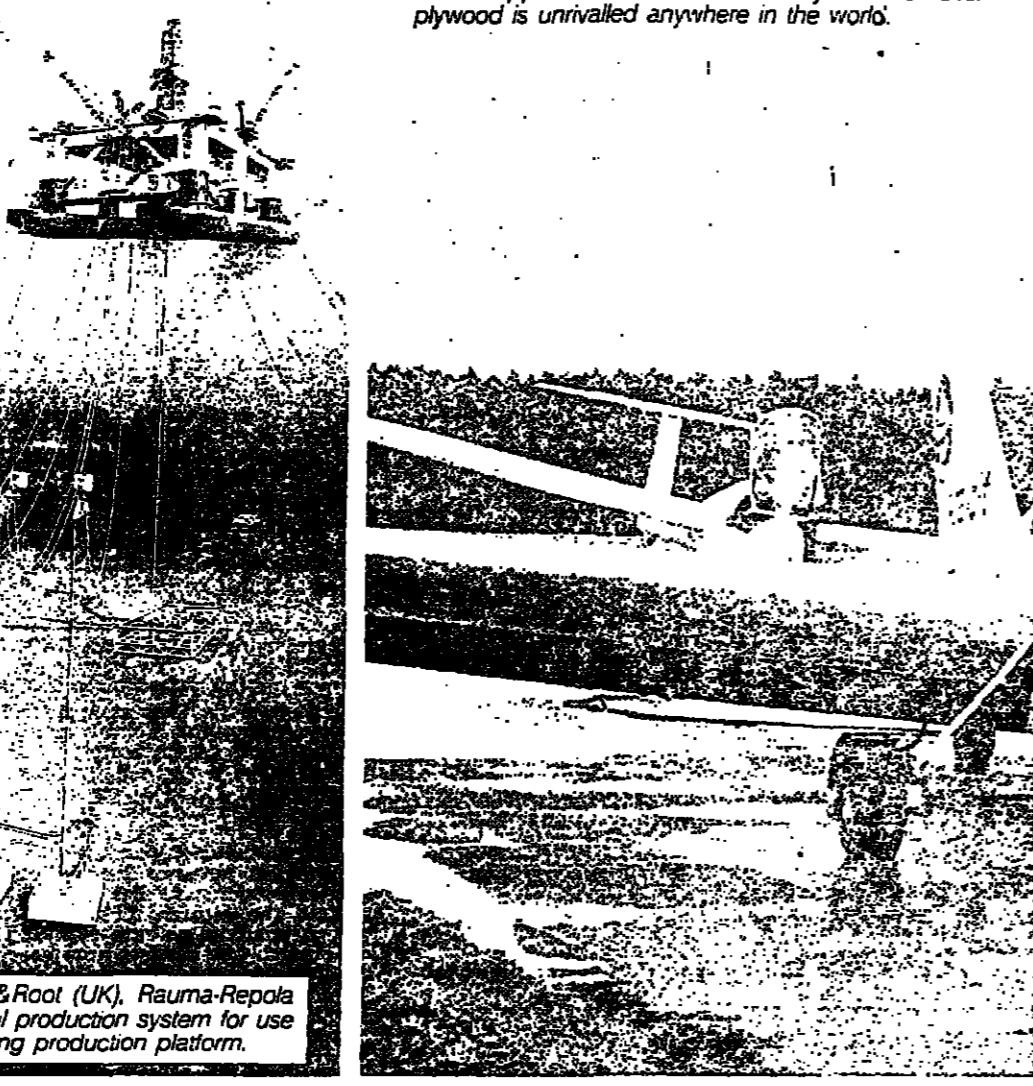
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FINLAND 4

Curb of strong role sought

The banks

OLLI VIRTANEN

THE POWER of the banks has become an increasingly popular topic in Finland—much to the embarrassment of the banks themselves. Politicians, taking their cue from some recent events and the forthcoming parliamentary elections—almost unanimously wish to reduce the banks' role in the Finnish economy.

The highly concentrated banking structure has resulted in a fair share of power accumulating to the banks. This is accentuated by the "house bank" tradition which means that most of the large companies belong to one bank's financial family. This structure still exists although more companies have begun to shop around for credit.

Since last autumn the banks have raised their profile in two ways, dealing on the stock market and restructuring companies in their sphere of influence.

Union Bank of Finland sparked off the trend in public by winning the contest over Bank of Helsinki last October. The losing party, the savings bank group Skopbank, also claimed to be a winner since it made a profit of about FM 40m (SFr 10m) on the BöB shares it sold to UBF.

And Skopbank subsequently went on to buy and sell shares for a profit on the stock exchange—very unusual conduct by Finnish banking traditions.

Skopbank's dealings were highly publicised and the bank itself did little to hide its activities. The bank's chief stock trader, Mr Juhani

Riikonen, has dealt mainly with shares of companies whose book values, thanks to the vast property holdings, well exceed their market capitalisation.

Skopbank's net income from dealing in securities was about FM 250m (SFr 50m) last year which far exceeded profits from its other banking activities.

When UBF and its main rival Kansallis-Osake-Pankki at the same time were busy trying to restructure forest products industries in their own "families," the banks' role in Finnish society became an obvious subject of public debate. Leaders of three large Finnish parties demanded that the banks' ownership in any company should be severely restricted from the present 20 per cent of

The banks defend their activities by claiming that they do not want to maximise their holdings but they have to look after their present interests. Many of the current targets for reorganisation have wound up in their lap either due to their accumulated debts or as a last resort to salvage them.

Insurance companies have also become a target of a similar debate. They are allowed to own up to 50 per cent of equity in any company. A government commission recently recommended that the figure should be reduced to 25 per cent.

The banks defend their activities by claiming that they do not want to maximise their holdings but they have to look after their present interests. Many of the current targets for reorganisation have wound up in their lap either due to their accumulated debts or as a last resort to salvage them.

Mr Mika Tiivola, chairman and chief executive of UBF, recently put the debate into perspective by pointing out that the combined holdings of all banks in Finnish companies equal the value of investment in one single paper machine.

Several factors have made the banks look more after their interests. While last year was one of the best ever for all banks in Finland, competition among them is increasing rapidly.

Inflation has come down to

close to 1 per cent on a 12-month period and as the base rate still hovers at 8 per cent, banks are soon likely to find themselves with too much money chasing too few borrowers.

So, bank competition in Finland is coming to look like free for all. Mr Erkki Karmila, Director for Foreign Operations at KOP, says that the traditional roles of commercial banks, savings banks and co-operative banks are becoming more confused.

Savings banks and co-operative banks (under the umbrella of Oikobank) are now increasingly wooing corporate customers while the commercial banks try to penetrate the farm belt.

Meanwhile Postipankki, the state post office bank, has come to look like any commercial bank. Its role is a simple topic in Finland. According to Mr Jaakko Lassila, Chief General Manager and CEO of KOP, Postipankki receives FM 20m worth of unfair allowances just because it is nominally a government office.

Postipankki itself is not opposed to the idea of becoming a limited company of which the state would own a majority. Bank of Finland has made a number of moves to liberalise Finland's financial markets lately. The banks have now much more leeway in determining their interest rate policies as various quotas and deposit requirements, which very much controlled the bank's lending activities, have been abolished by the central bank.

As the instrument for controlling money supply was done away with, Bank of Finland adopted a more active interest rate policy by establishing a call money rate to govern the gray money market in Finland. This has been the main instrument of the central bank to control the money markets. At the beginning of this year the

point of that new financing instruments created by the banks and other institutions have reduced the importance of the cartel, most people would like to see the system changed.

Commercial banks favouring



Mika Tiivola, traditional banker

influence. Next in line is the metal and engineering industry.

His health does not give any cause for an early retirement, an avocation and a statesman, Tiivola has always loved sport. Today he enjoys rowing on the lakes, a more restful pastime compared to his youthful days when he drove in the Monte Carlo Rally.

Olli Virtanen

PROFILE: MIKA TIIVOLA OF UNION BANK

Stoic with a clear vision

IN MANY WAYS Mika Tiivola has been a captain in the Finnish economy in the same way he was a captain in the Finnish Army during the Second World War. Always stoic and decisive, he maintains a clear vision on where to lead his troops.

As chairman of Union Bank of Finland, the country's leading bank, he has made a number of manoeuvres that gained more foothold for the bank and at the same time left his seemingly overwhelming rival, Kansallis-Osake-Pankki (KOP), play second fiddle.

Tiivola has always been a universally accepted role model of "a traditional banker." He joined Union Bank as member of the board 23 years ago, became chief general manager in 1966 and was elevated to his present position four years later.

The top job at one of the two biggest banks in Finland in itself brought Tiivola a lot of clout. But in addition to this the structure of Finnish economy, which largely revolves around commercial banks, demanded that he also assume chairmanships and memberships on dozens of boards.

For example, Tiivola is cur-

rently chairman of Finnish Foreign Trade Association, Council of Economic Organisations, the Helsinki Stock Exchange and chairman of the board of about half a dozen large Finnish companies.

But despite the social status he always seemed to lack the charisma that would appeal to the general public. He is well respected but distant to the customers at the till.

Union Bank has always competed neck to neck with KOP. In the 1970s Tiivola enjoyed the position of being the main spokesman of Finnish banking much due to the low profile assumed by KOP. But when the highly charismatic Jaakko Lassila became chief general manager and chief executive of KOP in 1982, he overshadowed Tiivola in the publicity game.

Tiivola's folksy style left Union Bank personnel "in a state of shock" as one ranking UBF official puts it, and Tiivola was clearly embarrassed by any comparison between personalies, or the banks' activities in general.

Today he is not embarrassed at all.

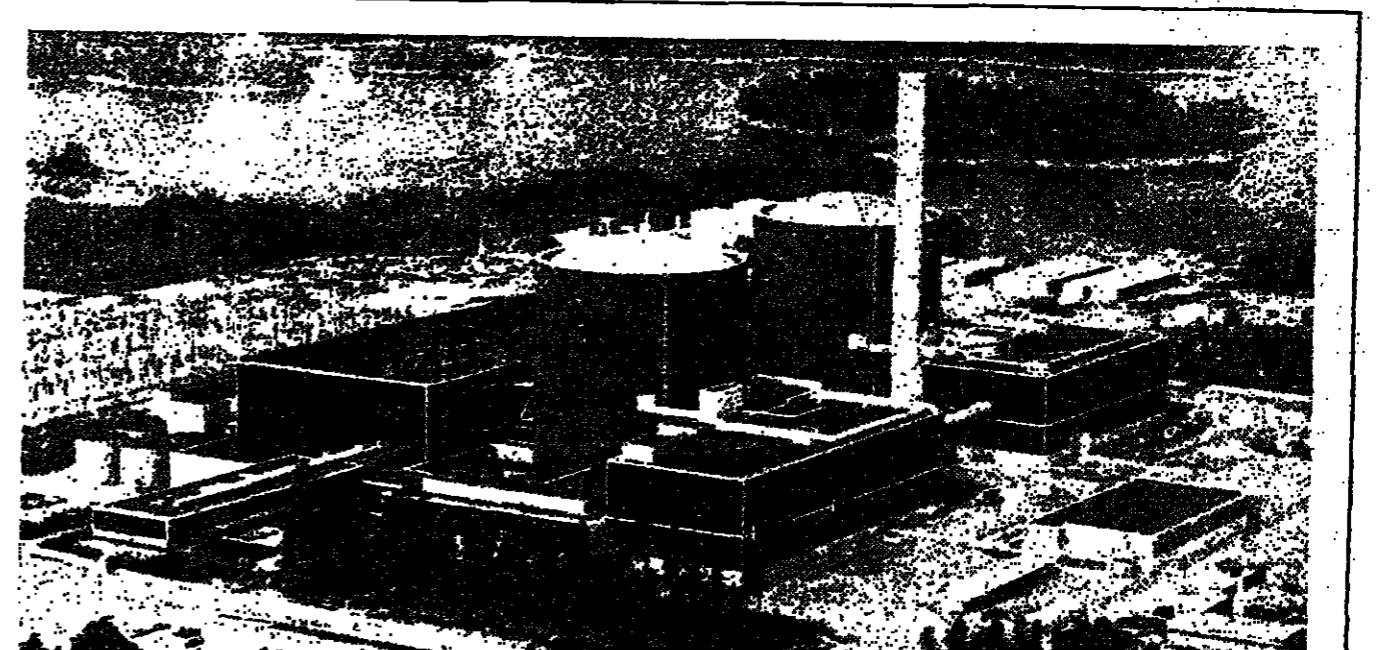
On October 31 last year—his 63rd birthday—Tiivola emerged as the winner of the battle for Bank of Helsinki. The take-over contest against another Finnish banking group, Skopbank, was swift and Union Bank gained much more than just the undisputed Number One Bank Status. It gave Tiivola and his team new confidence.

First, Tiivola orchestrated the merger of Kymi-Strömborg, the forest industry and power technology group, and Kaukas, the pulp and paper group. Soon after, Kaukas bought a controlling share of the forest industry group Schauman, another moved designed by Tiivola.

A debate on Tiivola's eventual successor has been brewing in Finland for about a year and the bank even nominated a team of three to search for a candidate who would "look like Tiivola." In March, the team reported that they had found one: Tiivola himself.

So the current captain will continue to navigate the bank till October 1989.

In theory, Tiivola could retire any time now, but as he says, there is still a lot of work to be finished. This is widely interpreted that he will continue to reorganise companies in the Union Bank's sphere of



Loviisa Nuclear Power Units. In 1985 the load factor for Loviisa 1 was 93.0% and 91.7% for Loviisa 2.

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Highlights of 1985 Millions of FIM

Turnover	4384
Gross margin	2413
Operating margin	1677
Depreciation	573
Profit	327
Investments	1233
Financial assets	974
Inventories	1440
Fixed assets	4825
Liabilities	4638
Shareholders' equity	1126
Personnel	4513

FINLAND 5

الجمعة

Big shift by industry

"INTERNATIONAL contacts are a lifeline for a highly-industrialised country relying on exports," says Mr Juhani Kansi, director-general of the Finnish Technology Development Centre (Tekes).

By international standards, Finland's export companies are relatively small. The bulk of research and development spending necessary to remain competitive on the world market is thus proportionally higher.

"Our resources are limited, but our need to utilise them to the full is the greater," says the Tekes director.

Tekes was created by the Finnish government to help plan, co-ordinate and finance research and development programmes as part of a broad target to increase overall R & D spending from the present 1.4 per cent to 2 per cent of GNP by 1990.

The forthcoming OECD Review of National Science Policies cites Finland for establishing "an impressive collection of science and technology programmes. It continues: "The vigour of the national research and development programme is impressive," although it expresses concern that better co-operation is needed in assigning policy-making responsibility between the various bureaux involved.

Currently, the total public and private sector R & D budget is FM 3bn (1985), of which 40 per cent is government-financed.

This heavy emphasis on high technology development comes in the midst of a fundamental shift in the make-up of Finnish industry towards more technologically-advanced sectors. While wood-based products made up fully 65 per cent of exports in 1980, this figure has declined to only 35 per cent today.

Among the areas where Tekes has been active is in the development of advanced silicon and gallium arsenide technology, where it has financed work at the Technical Research Centre aimed at spurring the domestic semiconductor industry.

The Technical Research Centre works with such private companies as the Lojha electronics group (on gallium arsenide thin film technology) and the Vaisala instruments company (on advanced silicon sensors).

Another area where Tekes has been active is in recruiting Finnish companies for participation in the European-inspired Eureka programme. "Eureka will expand the contact surface of Finland's high-tech industry and expand our

markets in Europe," Mr Kuusi says.

Vaisala is a good case in point of the challenge faced by Finnish companies. Competing on an international market — with more than 90 per cent of sales being generated outside Finland — it has been forced to spend an average 20 per cent of sales on R&D over the past 20 years.

"This is about double the average for the electronics industry as a whole," says Mr Jyrki Tövöla, the managing director. "But being a small firm, we've had to invest heavily in order to grow in a world market."

Mr Tövöla was among the Finnish businessmen most active in the push for participation in the Eureka project, arguing that "only 0.3 per cent

High technology

DAVID BROWN

of the world's R&D spending is carried out in Finland and we need to have greater access to the remaining 99.7 per cent."

Vaisala has benefited directly from participation in several Eureka-inspired programmes, including Eurovak (a project to study and measure the problems of acid rain and air pollution in Europe).

"Most probably we will see a monitoring network after six to eight years, to which Vaisala will hopefully deliver a large part of the equipment."

As part of the project research, Vaisala is working together with the UK-based Cambridge Technology in the development of so-called biosensors which combine biotechnology with electronics to produce sensors which can be used for real-time monitoring of pollutants.

"We are a specialist in micro-electronics, but we don't have biotechnology in our tool-box," Mr Tövöla says. "The Eureka project is supposed to act as a sort of 'marriage bureau' to help join such complementary knowledge."

The high cost of labour and raw materials in Finland, combined with a high level of education and willingness to adapt to new technologies led to the early development of devices such as banking automation systems and industrial process control equipment.

The country's relatively small size has also been an advantage in allowing close ties to be formed between universities

and research institutes on the one hand, and industry on the other.

However, it also suffers from a relative shortage of qualified engineers, and the OECD report stresses that "a reorganisation of post-graduate studies is a crucial condition for future scientific and technological development in Finland."

Eureka-type programmes have tended to benefit smaller companies with limited international networks. Multinationals like the large Nokia group have independently turned abroad to fill their need for human resources.

If you are in the systems integrator end of the computer business as we are, you must cooperate with a very skilled combination of software and application-oriented engineers," says Mr Timo Koski, President of Nokian Electronics Division.

Many of these engineers have been recruited outside and work outside Finland. Nokia has tapped the UK by establishing a mobile telephony development group at the Oxford Science Park and in the US where it has an engineering development arm for pulp and paper equipment.

Nokia is also involved, however, in the Eureka East project which aims to improve the effectiveness of software engineers. "Trying to develop computer programmes to facilitate predictive programming obviously cuts down costs and gets more efficiency out of the human resources we have here," Mr Koski says.

Finland's high technology producers have also been forced to seek specialised market niches, rather than attempting to compete head-on with industry giants in such areas as information systems.

"By targeting areas like systems integration and supplying certain specialised professional market sectors like banks and retail automation, we have been able to grow quite steadily," Mr Koski explains.

Lauri Koukkonen is Europe's largest producer of duplex filters, which are used in mobile telephones to allow simultaneous transmission and receiving for continuous communications.

In the field of biotechnology, Finnish Sugar has become a world-leading producer of enzymes by a forceful acquisitions policy aimed at expanding and market share in the US and the UK.

The bulk of its basic research is being carried out in co-operation with the technical Research Centre, and with Nabisco Biscuits of the US.

Valmet has focused on producing specialised factory automation systems intended for smaller and medium-sized companies, thus avoiding the highly-competitive automation market for high-volume industries.

In an attempt to widen its international sales possibilities, Valmet recently signed a marketing co-operation pact with Mitsui Seiki of Japan — the machine tools manufacturer.

In another forest industry merger in Northern Finland two larger forest industry companies, Veitsiluoto, Metallitoto and Kajaani, rearranged their ownership in two newly-inflated firms, Oulu and Kemi.

Despite merged concerns, Finland's forest industry faces a tough time ahead. Production still has a number of structural drawbacks, so an inevitable conclusion has been to look for bases abroad.

United Paper Mills inaugurated its huge newsprint plant in Shotton, North Wales, last year.

Kaukas is planning to build a LWC plant in Scotland and Schuman was also looking for a partner in Central Europe, before the deal with Kaukas.

Great expansion in turnover

The stockmarket

DAVID BROWN

"WE ARE quite small in comparison to the larger stock exchanges around the world, but we have grown very rapidly indeed," says Mr Maenpaa, new managing director of the Helsinki Bourse.

In an effort to widen the scope and appeal of the Finnish capital market, the exchange recently appointed its first-ever managing director from the top ranks of Kansallis-Osake-Pankki, the leading commercial bank.

In the course of the past five years, stock exchange turnover has expanded enormously. Turnover in 1980 was less than FM 700m, divided roughly equally between equities on the one hand and bonds and debentures on the other.

By the end of 1985 the level had climbed to FM 12.7bn. The most important factor in this increase was the rapid expansion of trading in bonds and debentures, which accounted for three-quarters of total turnover last year.

By April 23 share prices had climbed a sharp 20 per cent from the start of the year to 314.8 on the United Index. By far the strongest-performing sector was Industrial, which jumped over 200 per cent, followed by Diversified Industrial (up 18.7 per cent) and Forest Products (up 18.6 per cent).

The weakening of markets for foreign products companies (which still make up 40 per cent of Finnish exports) and the oil price downturn (which will reduce the value of exports to the USSR) may take its toll on the economy and share prices this year, however.

The exchange faces several problems of specific interest to foreign investors, who last year accounted for roughly a third of total turnover.

Despite attractive price-earnings ratios, the upper limit of 20 per cent on foreign ownership of so-called "unrestricted shares" meant that when demand dropped last year, prices for these shares fell even faster than those of "restricted" shares held by

Fins. Turnover in the Finnish-held shares, meanwhile, is severely limited by a system of capital gains tax under which it is disadvantageous to sell stocks which have been held for less than five years.

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The paper qualities produced cover a very wide range; printing papers for newspapers, magazines, directories, catalogues, brochures and books; writing, photocopying, computer and general office papers; wrappings, tissues and specialities. In total they amounted last year to 4.9 million tonnes, worth nearly £2,000 million. These papers are marketed throughout the world by the Finnish Paper Mills' Association Finnpap, and sold in the UK by Lamco Paper Sales Ltd.

Forestry remains essential

Paper and pulp

OLLI VIRTANEN

FINLAND practically lives by its forests. Although their share of the country's total exports came down 36 per cent last year, forest industry products still remain the life-blood of the economy.

Despite their crucial role, however, the forest industry companies have traditionally been less profitable and more indebted than their competitors in other major exporting countries. The main reasons are expensive wood raw material, labour costs, and relatively small size of the companies.

Modern technology in the field of data communications, for example, has made interpretation of these regulations increasingly difficult and led to further disagreements between the P&T and some of the private companies, of which the Helsinki Telephone Company is the largest.

Mr Pekka Tarijanne, director-general of the P&T, says: "We consider data communications a natural extension of telephony, not telephony, while the private companies argue the reverse.

The situation today is a little bit stressed because of the non-existence of the rules of the game."

Indeed, the Helsinki Telephone Company has built up its own parallel long-distance switching system to handle data communications, a move which the P&T regards as "nonsense from the point of view of national economy."

The government has drafted legislation which seeks to describe the balance of power between the two sides, although it is unclear whether it will be passed before the next elections.

"If parliament does approve

Legislation on telephone network

FINLAND follows the Scandinavian pattern of enjoying one of the world's highest telephone densities and lowest subscriber rates.

What makes the country unique in Western Europe is the fact that its Public Telecommunications Agency (P&T) shares the market with 58 other private telephone companies which also provide these services.

In the past, the local telephone companies have offered a range of local services, while the P&T engaged mainly over long-distance traffic, telex and mobile telephone networks. But this division was set out in legislation which is now over 100 years old, and it is changing radically.

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"If parliament does approve



Assembling British Aerospace Hawks at Valmet's Knoorevesi plant. Electronics is one of Finland's fast-growing sectors

Electronics

DAVID BROWN

the legislation, then it will be possible to see a more peaceful development of telecommunications in this country," Mr Tarijanne says.

The director-general stresses, however, that this disagreement over the lucrative data communications market has not adversely affected the quality of overall telecommunications services offered in Finland.

Meanwhile, the government has also proposed to alter fundamentally the role of the P&T so that it will no longer issue operating licences; it will be removed from the state budget and "become more or less a pure business corporation" in the words of the director-general.

In addition, the proposal seeks entirely to deregulate the sale of terminal and telex equipment, and smaller private branch exchanges.

By far the biggest domestic supplier is Nokia, which is Finland's largest private industrial corporation—with annual sales of over FM 10bn—and its

largest employer.

In the telecommunications sector, which grew some 25 per cent last year, Nokia products cover the range from cables to information and switching and transmission systems.

The telecommunications division has concentrated largely on the Scandinavian market, according to Mr Timo Koski, president of the electronics unit. However, it competes internationally, has high hopes for the Far East market and has won several notable orders from China and Australia recently.

The group's Mobira subsidiary, which produces cellular mobile telephones, is the leading manufacturer in Scandinavia, which in turn has the world's largest mobile cellular system in operation.

Moreover, the group last year initiated an important joint venture with the Tandy Corporation of the US, which has now started production, and expects mobile telephone sales on the American market to reach some 35,000 or more than 10 per cent of the total market this year.

Elsewhere in the sector, Lantek, a joint venture between the Finnish government and the US company Lantek, is a pioneer in the production of polymer hybrid circuits (developed in connection with its electroluminescent display technology).

The Vaisala instruments company, which has a wide range of specialised sensors particularly aimed at the weather forecasting market, sells over 95 per cent of its total output abroad.

The P&T itself, in a venture with the telephone companies, has been engaged in selling telecommunications expertise in areas such as Asia, Africa and the Middle East through a jointly-owned company, Telecon.

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PAPER FOR TODAY...AND THE FUTURE

FINLAND 6

Business with birch twigs

Sauna

KEVIN DONE

THE BUSINESS visitor, or for that matter any other visitor to Finland, is unlikely to have spent much time in the country before being confronted with one of its main institutions, the sauna.

Forewarned is forearmed.

As Mr Juhani Perazzoli, chairman of the Finnish Sauna Society, told the latest international sauna congress in the Netherlands earlier this year: "One can say that all important things, in fact, take place in the sauna. All international textbooks on management must have in their Finnish editions a special chapter handling sauna meetings. Sauna belongs to the Finnish decision-making tradition."

The Finns are certainly not averse to using their national institutions as a means to an end either in diplomacy or business. The sauna, they claim, is a great leveller. It is also virtually unavoidable.

On a visit to Finland last year Mr Shintaro Abe, the Japanese Foreign Minister, was even pictured naked on the front page of one of Helsinki's most respected daily newspapers along with his Finnish host, Mr

Paavo Vayrynen, the Finnish Foreign Minister. They sat smiling and chatting—and sweating—their modesty preserved only by a couple of strategically-held bunches of leafy birch twigs.

Finnish industrialists and politicians are well-known for taking their adversaries to the sauna. As the Finnish sauna society explains: "Hospitality melts in the steam as birch whisks swish, and stubborn minds begin to accept compromise. Rank and protocol are shed in the dressing room along with one's clothes. It is hard to maintain pompous dignity without one's clothes."

It was in the sauna, for example, that Finland's former president, Urho Kekkonen, recently cleared the way with the Soviet leader, Nikita Krushchev, for Finland to move ahead and join EFTA, the European Free Trade Association.

Wherever Finns go their saunas go with them. Finnish troops serving with the UN peacekeeping forces insist that one of their priorities on arrival is to erect a tent sauna, whether the location is as far north as the 60th parallel—albeit Finland, but Finns try to spread the gospel abroad. Enough

foreigners appear to be convinced that sweating in small dark rooms at temperatures of 100 deg Centigrade (212 deg F) or more—the boiling point of

normal fortifications.

At home Finns go to great lengths to assure visitors that for them the sauna is not the sort of institution found in red light districts around the world.

A Finnish sauna is not a "massage parlour," the Helsinki tourist guides' association sternly informs the uninformed.

Given that there are about 1.2m saunas in Finland and only some 4.8m Finns, that would otherwise make an awful lot of massage parlours.

At one recent sauna book quoting the age of an imaginary first-time British business visitor, says: "Could there really be over a million of these houses of ill repute in such a tiny country. Wow."

Mixed sauna, except in the family, is not a Finnish tradition.

Finns take about 200m saunas baths each year and Finland is undoubtedly the only country in the world where the sauna outnumbers the car.

The climate undoubtedly has much to do with the habit. No other country has so many people living at such northern latitudes—nominally north of the 60th parallel—as Finland, but

Finns try too to spread the gospel abroad. Enough

foreigners appear to be convinced that sweating in small

dark rooms at temperatures of

100 deg Centigrade (212 deg F) or more—the boiling point of

water after all—can be a pleasure, to allow the sauna to make a useful contribution to the Finnish trade balance.

In the last two generations the sauna has moved along with most of the population from the countryside into the towns, but the bathroom sauna in a Helsinki flat and the ancient Finnish smoke sauna or savusauna still have the heated rocks and the sweat in common.

Saunas are found in most Finnish homes; there are shared saunas in blocks of flats with each family having different times available during the week; there are saunas in hotels, aboard ships, at camping sites and in office buildings, but the most idyllic are still those built at the lakeside beside Finnish country cottages with a jetty leading straight to the water for a cooling swim.

In the depths of winter a hole can be cut in the ice if a roll in the snow does not suffice.

To speed up the sweating process you beat yourself with a *whisk*, a bundle of leafy birch twigs bound into a switch or whisk. The birch twigs are cut in their leaf during the summer and then either dried with salt or kept in the freezer for use during the long winter.

One sauna book is good enough to admit, however, that the over-vigorous use of the whisk and the roll in the snow



are aspects of the ritual urged on the unsuspecting foreigner but not always practised so devoutly by Finns themselves.

Electrically-heated saunas are now the rule in the towns, but the old-fashioned smoke sauna where the smoke from the birch wood fire used to heat the sauna swirls thick and black straight into the sauna room before escaping in billowing clouds under the eaves. When the sauna is ready a fine birchwood aroma remains scented the air and mixing with the *loyly*, the hissing vapour that steams up as water is ladled on to the hot

stones atop the sauna oven.

Fresh from the heat of the sauna you can stand awhile outside in minus 30 deg Centigrade, your naked body steaming in the polar night, the moon

light reflecting from a snow-covered frozen lake with the crazy streamers of the northern lights playing phosphorescent games across the sky.

To arrive properly prepared for the sauna one of the best books to read is *The Businessman's Guide to the Sauna* by Arto Paasikima and Terhi Ovaska. Published by Uusi Suomi Oy/Business Books, PO Box 189, SF-00101 Helsinki.

Cold winds of recession reach the yards

Shipbuilding

OLLI VIRTANEN

PERHAPS IT was inevitable although few people wanted to believe it, but the world shipbuilding recession, which seemed to miss Finland completely, has now hit the country with force.

Finland's four shipbuilding companies were able to survive most of the rough seas by concentrating on special vessels and producing to meet a steady stream of orders from the Soviet Union. This combination made the yards highly profitable for years running.

Ice breakers and other ice-strengthened vessels, passenger ships and cruise liners, research

vessels and Arctic off-shore, these were the specialities of the four Finnish shipbuilding companies: Wärtsilä, Valmet, Rauma-Repola and Hollming. And with more than 50 per cent of the aggregate output earmarked for the Soviet Union, the yards were able to maintain bulging order books for years ahead.

Not so anymore. One by one the dominoes have fallen. Exports to Western markets have dried up almost completely since Wärtsilä delivered the world's biggest luxury cruise liner "Royal Princess" to the British shipping line, P&O, almost two years ago.

Expertise in narrow fields such as ice breakers is losing orders, too. Far Eastern builders have developed their expertise and have become competitive in many fields.

Similarly many highly-subsidised European yards have been able to snatch orders by allegedly undercutting market prices by up to 40 per cent.

Third, the bread and butter of the Finnish yards, orders from the Soviet Union are also decreasing. The overall trade between the two countries will come down considerably, due to falling oil prices and this will undoubtedly affect ship orders, too. In addition the Soviets are shopping around more actively for ships elsewhere in Europe.

All this means that the total workforce at Finnish yards has come down rapidly from the peak of 18,000 in 1982 to 14,000 today. According to some estimates it will drop well below the 10,000-mark before the end of this decade.

At the same time, the backlog of orders has come down from the peak of GRT 800,000 in 1982 to GRT 475,000 at the end of 1985.

The next couple of years are crucial for the four Finnish shipbuilders, who have eight yards in total. Wärtsilä's yard in Turku, for example, has eight vessels under construction at the moment, but even the last of these is scheduled for delivery next year.

Two other large yards, Rauma-Repola's yard at Rauma (six vessels under construction) and the Helsinki shipyard of Valmet (four vessels), will also stand idle at the end of next year if they cannot win new orders.

Wärtsilä, flagship of the industry, has suffered a number of significant blows recently. Last year it lost two separate orders for ships it had designed.

Earlier this year the company lost an order for two large passenger ferries placed by a Finnish shipping line.

The vessels will now be built by a Yugoslav yard, marking the end of a tradition of Finnish yards building passenger ships for Finnish owners.

Domestic competition has also been fast and furious. In particular, Wärtsilä has been annoyed by what it sees as attempts to enter its home turf. Valmet recently completed its first cruise liner and before that both Valmet and Rauma-Repola bid for two icebreakers ordered by the Finnish government.

In both these categories Wärtsilä has been the world leader and the company strongly urged the other yards to try to find their own specialties.

All Finnish shipbuilders have strongly urged other countries to do away with the lavish subsidies they give to their own yards. The Finnish companies, of which Wärtsilä, Rauma-Repola and Hollming are privately-owned and Valmet is a state-owned group, take a masochistic pride in pointing out that they do not receive help from the state coffers.

With orders dwindling more and more voices ask: should not there be more legislation to play the subsidies game. But so far the companies have refused with some minor exceptions. Instead they emphasize that subsidies breed inefficiency and can never be a long-term solution. They also point out to Sweden where even SEK 25bn in total subsidies could not save the yards.

Decision for the 1990s

Energy

DAYER-BROWN

FINLAND, which until late April was inching towards a decision to expand its nuclear generating capacity to help meet expected demand in the 1990s, may now face a re-think in the light of the Chernobyl disaster in the Soviet Union.

Two of the country's four existing plants were constructed by the Russians—although not of the same type—and have performed beyond expectations. A decision to build a fifth plant to be purchased either from the Soviets or Sweden—was considered inevitable until now by industry observers in Helsinki.

Yet the country does face a problem. Having few hydro

resources left to exploit, it

now supplies about 40 per cent of the total requirement in the world.

The Finns, moreover, are heavy electricity consumers in their homes and in industry—not least in the forest products sector where energy costs are critical to profitably.

To arrive properly prepared

for the sauna one of the best

books to read is *The Businessman's Guide to the Sauna* by Arto Paasikima and Terhi Ovaska. Published by Uusi Suomi Oy/Business Books, PO Box 189, SF-00101 Helsinki.

This projection has been

become uncertain.

Although industry sources remain confident that a new reactor complex eventually will be built, the very least that can be expected is a considerable delay of several years before a decision can be taken.

Indeed, the new government group, recently formed by the two existing ministries and agencies to co-ordinate construction and operation of the new facility, has indefinitely put off plans to table a proposal.

In another significant move, the government recently proposed to shift from electricity-based energy taxation to a sales tax, allowing a tax write-off and considerably lower costs in industry—not least in the forest products sector where energy costs are critical to profitably.

Given the deep concern

surrounding the dangerous

events at Chernobyl, and the sudden surge of anti-nuclear

feeling throughout Scandinavia

and the USSR.

The consumption of natural gas takes up only 2 per cent of total energy use, although there has been discussion of increasing this amount to supply the city of Helsinki via a pipeline

from the USSR.

Coal and natural gas provide 13m tonnes of the country's total 30m tonne energy supply. Finland is also a major importer of coal (again from the Soviet Union and also Poland).

Finland is one of the world's pioneers in the use of district heating, which has more than doubled in the past decade.

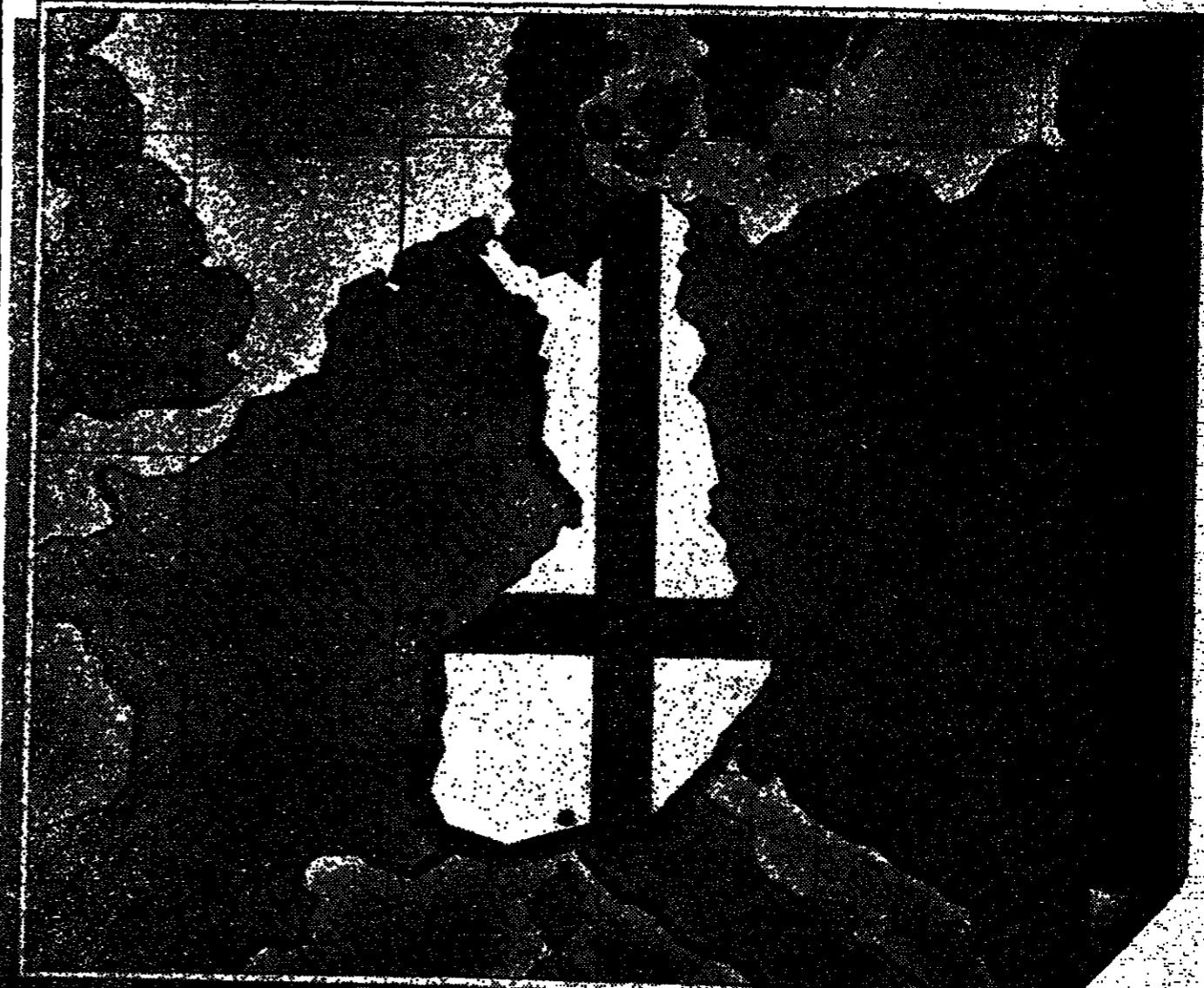
Domestic energy sources—

mainly hydro and to a much

lesser extent peat and waste

wood—make up some 30 per cent of total consumption.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday May 21 1986



Aérospatiale earnings surge to FFr 453.9m

BY DAVID MARSH IN PARIS

AÉROSPATIALE, the French state-owned aerospace group, boosted net profits to FFr 453.9m (561m) last year from FFr 332.1m in 1984 but sounded a warning about the effect of increasing international competition on its results this year.

Mr Henri Martre, chairman, said yesterday that increased commercial efforts and the international economic revival last year enabled Aérospatiale to reverse setbacks in 1982-83, when the company suffered particularly from a steep fall in sales of the European Airbus.

New orders last year rose to FFr 37.8bn, of which 70.2 per cent were exports, compared with FFr 20.2bn (57.7 per cent exports) in 1984 and FFr 12.9bn (34 per cent exports) in 1983, when Aérospatiale registered a net loss of FFr 37.5m. Turnover last year fell slightly to FFr 24.8bn, from FFr 25.1bn in 1984.

US group falls into deeper loss

By Louise Kehoe

COMMODORE International, the troubled US home computer manufacturer, is taking severe cost-cutting measures after a further heavy loss in the third quarter ending March 31.

The company has reported a net deficit of \$36.7m, or \$1.17 a share, for the three months. For the same period of last year, there was a loss of \$20.4m, or 67 cents. Sales for the quarter, however, rose to \$163.3m from \$160.6m a year ago.

The latest results bring Commodore's losses for the past nine months to \$129.1m, or \$12.4 a share, compared with a \$10.1m, or 33 cents, net profit for the same period 12 months earlier.

Sales for the nine months fell to \$689.7m from \$751.2m in 1984-85.

Although overseas sales continued to be strong during the past three months, the performance of US operations was disappointing, said Mr Irving Gould, the chairman. In particular, sales of Commodore's latest product, the Amiga computer, were slower than expected, the company said.

Since the end of the quarter the company has acted to lower costs, said Mr Gould. Actions include the reduction of US manpower costs by almost 50 per cent. In addition, the company is cutting manufacturing, selling and engineering expenses worldwide, he said.

"We are striving to break even in the current quarter, and to return to profitability in the September quarter," said Mr Thomas Rattigan, the group's president.

Commodore is, meanwhile, continuing to have discussions with its major lenders, Mr Gould said. In February Commodore reached an agreement in principle with its banks to establish a \$135m credit line. Previously, the company had been technically in default on its bank debts.

Statoil acquires stake in Nylon Polymer

NORWAY'S state oil company, Statoil, said yesterday it had expanded its downstream activities through acquisition, for an undisclosed sum, of the West German plastics plant, Nylon Polymer KG. Reuter reports from Oslo.

Statoil said the purchase reflected a policy of developing interest in specialty plastics. It would increase Statoil's annual sales of specialty resins to Nkr 250m (\$33.1m) and boost its raw plastics materials turnover by some 15 per cent.

Statoil already operates a plastics plant in Norway and last year acquired petrochemical plants in Sweden and West Germany.

New orders in the first four months of 1986 totalled FFr 8.7bn, slightly down on the same period last year, and were likely to fall over 1986 as a whole although turnover would rise slightly, Mr Martre said.

Aérospatiale used the better economic climate last year to reduce stocks which had increased by FFr 3.5bn over the previous two years. The company's net debt fell by FFr 2.4bn last year.

Last year's new orders were concentrated on the aircraft division, thanks to sales of wide and narrow body aircrafts. Aircraft orders rose 3.5m over the previous two years. The company's net debt fell by FFr 2.4bn last year.

Concerning Franco-German plans for a joint anti-tank helicopter project, which have recently run into difficulties, Mr Martre played down any question that the German Government instead could turn towards a US company such as McDonnell Douglas, which is offering its Apache helicopter as an alternative. He said the Bonn and Paris governments, however, wanted to redraw the project to make it less complicated and lower cost.

Ensidesa expects to show reduced losses

BY TOM BURNS IN MADRID

ENSIDESDA Spain's state-owned steel plant, is due to announce 1985 losses of Pta 17.8bn (\$1.26bn) against Pta 24.6bn posted in 1984 when it presents its annual report at the end of this month, according to company sources.

The balance sheet improvement of nearly Pta 7bn is the result of tighter management control, according to the sources, and of sales which were 5.3 per cent up on those of 1984.

The 1985 sales figures emphasised the increasing dependence on exports by the Spanish steel sector in general and by Ensidesa, Spain's major producer, in particular. The 1985 results of the Instituto Nacional de Industria (INI) state-owned company show no indication of an increased domestic steel consumption.

Domestic sales dropped by 11 per cent last year, but exports rose by 23.4 per cent. Sales revenue totalled Pta 194m of which Pta 113m, 60 per

Deere reports sharp second-quarter fall

BY TERRY DODSWORTH IN NEW YORK

DEERE, the leading US farm equipment manufacturer, reflected the continuing depression in US agriculture in its second-quarter figures yesterday, which declared a heavy loss after a \$32.2m reorganisation provision.

Losses amounted to \$33m against net income of \$34.5m, or 52 cents a share, in the same period of last year while sales slipped to \$1.02bn from \$1.13bn. In the first six months of the year the deficit came to \$67.4m against net profits of \$6.6m, or 10 cents a share, in 1985. Sales for the six-month period fell to \$1.7bn from \$1.9bn.

The company said that its losses in the second quarter and in the past six months were primarily caused by extremely low North American farm equipment production and sales volume, combined with continuing high retail sales incentive costs.

The charge in the latest quarter was taken against the cost of restructuring in a move which reduced the company's workforce by 6 per cent, Deere said. In the same period of last year the group announced a smaller provision of \$11.1m, again for employment reductions.

After weathering a four-year period of extremely depressed conditions in the US farming sector, Deere is still holding out in prospect of a significant upturn in the industry or improvement in its own performance.

The company said yesterday that it was reducing its 1986 production schedules for tractors, combines and other implements and warned that this would have an adverse effect on operating for the rest of the year.

Marriott launches hostile bid for Saga

BY OUR NEW YORK CORRESPONDENT

MARRIOTT, the US hotels and catering chain, has converted its friendly takeover approach to Saga, the contract food-service group, into a hostile tender offer at \$34 a share.

The bid values Saga, the US's second-largest provider of institutional food services, at \$435.2m. In its last fiscal year Saga made net profits of \$29.1m, or \$2.18 a share, but in its most recent fiscal quarter, ending in March, the company's profits slipped to \$4.1m, or 32 cents.

Saga's share price, which shot up

BBL sees operating profits rise 39%

By Paul Cheeswright in Brussels

BANQUE Bruxelles Lambert, the second-largest of the Belgian commercial banking groups, saw operating profits rise an exceptional 39 per cent in the first half of the year.

The purchase is one of the big

gest shipping deals in terms of tonnage ever completed in Sweden and total some 1.8m dtw.

It marks a major step for Zenit,

which was formed in the mid of the 1970s shipping and shipbuilding

crisis to manage the stream of vessels that had to be repossessed by Swedish shipyards when customers were unable to meet their payment

benefit.

By 1984 Zenit had been forced to

take on around 70 vessels, including

several built by Swedish yards for

stock in the vain hope of an upturn

in shipping markets. Zenit has been

given the task by the Swedish Gov-

ernment of selling off the entire

fleet, as far as market conditions al-

low, and has sold around 40 vessels

in the last three years.

It has been a heavy burden on

the Swedish state, which has al-

ready pumped in Skr 4.1bn to cover

Zenit's losses on ship sales. Together

with its subsidiary, Uddevalla Ship-

ping, the Zenit group has been

granted a further Skr 3.4bn in state

aid to cover additional losses on re-

mainaining sales, such as yesterday's

disposal to Argonaut.

Argonaut was formed in 1983,

when it was spun off from the Sal-

ainvest shipping group, which

plunged into bankruptcy in Decem-

ber 1984. The major shareholder is

the Wallenius shipping group with

close to a third of the equity.

Mr Mats Jansson, Argonaut's ma-

naging director, said the group in-

tended to form a new company to

own 10 tankers. It will maintain a

stake of at least 50 per cent and is

offering the rest to outside inves-

tors.

Its own stake in the deal is being

financed by a single bank, but Mr

Jansson refused to disclose its

identity. He said that Argonaut had

bought the tankers in the belief

that tanker shipping was entering a

"favourable period of development."

It was not clear yesterday how

long Argonaut intends to maintain

ownership of the 10 vessels.

The tanker fleet includes two

350,000 dtw supertankers, three

155,000 dtw tankers and five 128,000

dwt tankers. Eight of the vessels

are covered by so-called interna-

tionalisation agreements with the

Swedish seamen's union. The ves-

sels are registered under foreign

flags but must maintain Swedish

crews for at least 1½ years.

SWEDISH GROUP IN \$75m TANKER DEAL

Argonaut buys 10 vessels

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

ARGONAUT, a small Swedish shipping company, yesterday became one of the leading oil tanker operators in Europe through the purchase of 10 oil tankers from Zenit, the Swedish state-owned shipping company, in a cash deal worth Skr 530m (\$75m).

The purchase is one of the big shipping deals in terms of tonnage ever completed in Sweden and total some 1.8m dtw.

It marks a major step for Zenit, which was formed in the mid of the 1970s shipping and shipbuilding

crisis to manage the stream of vessels that had to be repossessed by Swedish shipyards when customers were unable to meet their payment

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May, 1986

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Bibby- from strength to strength

- Profit before tax for the 6 months to 29th March 1986 significantly increased to £20,318,000 (1985 £15,955,000).
- Interim dividend 2.75p. An increase of 37.5% compared with equivalent dividend last year.
- Sales rose to £269,567,000 from £203,263,000, an increase of 32.6%.
- Earnings per share increased by 21.6% to 11.04p (1985 9.08p).
- Beyond the first half year figures, the Chairman confidently expects that the Company will again make further good progress for the year as a whole.

From the Interim Report for the 26 weeks ended 29th March, 1986.

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INTL. COMPANIES & FINANCE

Bangladesh set to privatise banks

THE BANGLADESH government is about to start a gradual privatisation of three of its four state-owned commercial banks and other major industries.

Rupali Bank, the smallest of the four, will be the first candidate. The finance ministry in Dhaka is preparing to sell 10 per cent to the public through the Stock Exchange by the end of this year. Another 39 per cent, and stakes in the other two—Agrani and Janata—will follow later.

This has been decided by the military regime headed by President Hussein Mohammed Ershad and is unlikely to be affected by the country's recent general election, so long as the President remains in power. It is in line with an industrial policy launched four years ago.

"We will start first with banks, then fertiliser factories, then paper mills, taking out the big industries first," President Ershad said. "We will sell the shares. That will generate funds and the Stock Market will be activated." Chemical and engineering factories are also on the list.

A new industrial policy document is being finalised by the Government in consultation with international agencies including the World Bank, which is linking the policy with the award of a \$200m structural

adjustment loan to Bangladesh. Last week the Government rejected calls from industry for the 49 per cent share sales to be increased to 51 per cent, which would have meant that the private sector took charge of the management.

Mr M Syeduzzaman, financial advisor to the President with the rank of cabinet minister, says the general policy is partly aimed at spreading shareholdings among smaller investors, and bringing new private sector direction to companies with the appointment of board repre-

sentatives of the new shareholders.

He estimates that the percentage of the country's industrial assets owned by the government has been reduced from 88 per cent in 1972 to 49 per cent of a considerably larger industrial base now.

At the Government's new public sector banks mainly involved in industrial lending, Shisha and Krish, have had their operations severely curtailed because of a liquidity crisis. This has been caused by them only recovering 5 to 10 per cent of their private sector loans

owned companies such as Philips, Pfizer, GEC and Bangladesh Tobacco (part of BAT) are being reduced to 10 to 20 per cent by sale of shares of the Government not taking up new share issues.

At the Government's new public sector banks mainly involved in industrial lending, Shisha and Krish, have had their operations severely curtailed because of a liquidity crisis. This has been caused by them only recovering 5 to 10 per cent of their private sector loans

Alps Electric suffers 42% fall

BY CARLA RAPOORT IN TOKYO

ALPS ELECTRIC, one of Japan's major components makers, showed a drop of 42.7 per cent in pre-tax profits in the year to March. The company blamed its woes on sluggish sales, falling prices and the yen's appreciation.

Alps, which supplies most leading electronic Japanese exporters, saw sales drop 9.5 per cent to Y264.44bn (\$1.89bn) and pre-tax profits down to

Y14.9bn from Y26.5bn. The decline brings profits back almost to their 1983 level of Y13.5bn.

Japanese exporters have been squeezing their suppliers particularly harshly in recent months in their efforts to hold down the prices of exports. Alps is a leading maker of video cassette recorders and computers. The company said, however, that sales of magnetic heads (used in audio and video

equipment) had continued to grow last year, while floppy disc drives had fallen sharply.

The company also said yesterday that it has expanded its original equipment manufacturer (OEM) business sharply this year, which would help profits to recover in the current year. Orders for floppy disc drives in April, for example, amounted to Y37.8bn, close to the Y37.8bn high posted in May of last year.

Ricoh earnings decline by 11%

BY OUR TOKYO STAFF

RICOH, the leading Japanese maker of copiers and other business machines, suffered a 11.2 per cent drop in pre-tax profits to Y240.45bn (\$157.5m) in the year to March, ascribed to a fall in the probability of yen-denominated exports.

In addition, the company suffered a foreign exchange loss of about Y600m and increased de-

preciation expenditures accruing from capital spending of Y48.3bn.

Net profits were 10 per cent lower at Y12.6bn on sales of Y490.15bn, up 8.5 per cent from a year before. The annual dividend is unchanged at Y10.

For the current year, Ricoh expects to suffer the persistent negative impact of the yen's appreciation.

Ricoh's earnings are projected at Y18.5bn, down 26 per cent, with net profits of Y5.5bn, down 28 per cent, on sales of Y520bn, up 6.1 per cent from the previous year.

Changing demand hits Hattori Seiko

HATTORI SEIKO, Japanese maker of watches and clocks, suffered a 55.9 per cent plunge in pre-tax profits to Y3.5bn (\$20.8m) in the year to March, writes Yoko Shibata in Tokyo.

Net profits rose 7 per cent to Y2.76bn, on turnover which at Y373.21bn showed a dip of

0.1 per cent.

The earnings setback was blamed on a shift in watch demand to lower-priced products both at home and abroad, and a drop in dividend receipts from its overseas subsidiaries.

Exports of medium and high-quality watches slowed down.

affected by the yen's surge, but exports of spectacles, liquid crystal display television sets and jewellery showed gains.

The annual dividend is unchanged at Y10. The company lowered yen-denominated prices of watches by an average 10 per cent last month.

Suzuki exports help produce record profits

By Yoko Shibata in Tokyo

SUZUKI MOTOR, Japan's largest producer of compact cars and third biggest maker of motorcycles, achieved record pre-tax profits of Y18.09bn (\$1.207.5m), up 5.8 per cent in the year to March.

A surge of 24.4 per cent in sales to a peak Y722.34bn was helped chiefly by exports.

Thanks to four-fold expansion of Suzuki's US export division from 17,000 units in 1984 to 60,000 units in 1985—supplying one-litre cars to General Motors—Suzuki's exports increased 58 per cent in unit terms. Domestic unit car sales rose 4 per cent.

Motorcycle exports advanced by 6 per cent, offsetting stagnant domestic sales. As a result, the ratio of exports to total turnover rose to 50 per cent from 44 per cent a year earlier.

Operating profits fell 5.2 per cent due to higher depreciation costs and increased profits from investments and repayment of loans enabled the company to report the increase in pre-tax profits. The annual dividend is being kept at Y6.50 per share.

For the current year, the company says its outcome depends on the strength of the yen against the dollar. Suzuki initially forecast pre-tax profits of Y15bn for the year on the assumption of an exchange rate of Y180 to the dollar. But it foresees no earnings growth if the yen hovers around Y165 to the US currency.

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(the "ECU Bonds")

Notice is hereby given in accordance with Condition 5(B) (d) of the ECU Bonds and Condition 4(B) (d) of the Dollar Bonds that as at and from 15th May, 1986 the Conversion Price for the ECU Bonds and the Dollar Bonds (together the "Bonds") shall be 260p per Ordinary Share of BTR plc (hereinafter referred to as a "Share" or the "Shares"). Terms and Conditions of the Bonds (the "Trust Deed") shall, unless the context otherwise requires, bear the same meaning in this Notice. On 15th May, 1986 BTR plc issued a total of 550,518,152 Shares credited as fully paid by way of capitalisation of the share premium account of BTR plc (the "Capitalisation Issue") to (i) to holders of Shares registered at the close of business on 15th April, 1986 (the "Capitalisation Issue") of one new Share for every two Shares then held and (ii) to the holders of ECU Bonds and the holders of Dollar Bonds to whom Shares have been issued upon conversion of their Bonds new Share for every two Shares so issued. The Conversion Price in force immediately prior to the Capitalisation Issue was 390p per Share. The aggregate nominal amount of the issued Shares immediately prior to the Capitalisation Issue was 227,259,076 and the aggregate nominal amount of the issued Shares immediately after the Capitalisation Issue was 2412,888,614.

Copies of the report of the auditors of BTR plc and of the certificate of a director of BTR plc required pursuant to Clause 8(j) of the Trust Deed are available for inspection at the offices of the Principal Paying and Conversion Agent and the Paying and Conversion Agents listed below.

PRINCIPAL PAYING AND CONVERSION AGENT

Swiss Bank Corporation
Aeschenvorstadt 1
P.O. Box 1132
CH-4002 Basel
Switzerland

Banque Générale du Luxembourg S.A.
14 Rue Aldringen
Luxembourg

Swiss Bank Corporation (Canada)
207 Queen's Quay West
Suite 700, Toronto
Ontario M5J 1A7
Canada

By: Swiss Bank Corporation, Basel
For and on behalf of: BTR plc

21st May, 1986

The undersigned are pleased to announce commencement of the

Programme for which they will act as Dealers.

Bergen Bank A/S

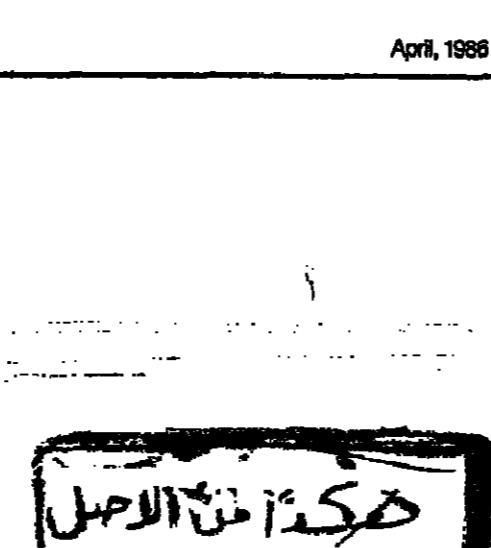
Credit Suisse First Boston Limited

Enskilda Securities
Skandinaviska Enskilda Limited

Merrill Lynch Capital Markets

Morgan Stanley International

April, 1986



INTL. COMPANIES & FINANCE

Fed sets terms for Citicorp deal

BY PAUL TAYLOR IN NEW YORK

THE US Federal Reserve Board yesterday conditionally approved Citicorp's planned acquisition of Quotron, the electronic information service, but said that, if the deal went through, Citicorp would have to divest Quotron's hardware assembly operations within two years.

The decision appears to remove one uncertainty hanging over Citi-

corp's \$19-a-share or \$800m bid for the Los Angeles-based group - a bid which was rejected as "inadequate" last month by Quotron's board.

Citicorp has said that, while it does not intend to increase the offer, it remains interested in Quotron and may go directly to Quotron's shareholders with a hostile tender offer.

The banking group had been re-

quired to seek Fed approval for its proposed bid because the Fed is the primary regulator of bank holding companies.

If Citicorp proceeds with its bid, it could challenge the Fed's requirement that it shed the computer terminal hardware assembly and installation business before the two-year deadline.

The Fed said Citicorp would also

have to drop certain electronic travel and reservation services now offered by Quotron and restrict Quotron's office services to the processing of financial, banking or economic data.

But Quotron's main business - providing stock, bond and other financial instrument quotes - would remain intact.

Norsk Data prepares to buy into Matra

BY OUR FINANCIAL STAFF

NORSK DATA, the Norwegian computer group which has a London stock market listing, is preparing the ground for a major share purchase in Matra Data Systems of France.

The two companies are in talks which could lead to a decision on Norsk Data taking 10 per cent of

Matra Data, part of the Matra electronics and defence group, within the next couple of months.

Mr Rolf Skar, the head of Norsk Data, said yesterday that the deal - if concluded - could eventually lead to Norsk Data taking as much as a 34 per cent equity participation in the French company.

The two groups have a number of trading links. "The co-operation between us is close," said Mr Skar. Matra Data has developed, manufactured and marketed Norsk Data equipment in Italy and France for several years.

For 1985 Norsk Data increased pre-tax profits by more than half to

NKr 360m (\$47.8m) on sales of NKr 1.9bn. When announcing the figures, Norsk Data said sales in France had been boosted by its links with the Matra group.

Matra is controlled by the French state. Its net earnings in 1985 totalled FF 110m (\$15.5m) on sales of FF 14.6bn.

New Issue

15th May, 1986



U.S.\$90,000,000

SEKISUI CHEMICAL CO., LTD.

2 3/4 per cent. Guaranteed Notes Due 1991

with

Warrants

to subscribe for shares of common stock of Sekisui Chemical Co., Ltd.

The Notes will be unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

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Daiwa Europe Limited

Banque Paribas Capital Markets Limited

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Deutsche Bank Capital Markets Limited

Julius Baer International Limited

New Japan Securities Europe Limited

J. Henry Schroder Wagg & Co. Limited

Union Bank of Switzerland (Securities) Limited

S. G. Warburg & Co. Ltd.

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Robert Fleming & Co., Limited

Baring Brothers & Co., Limited

Daiwa Bank (Capital Management) Limited

IBJ International Limited

Morgan Stanley International

The Nikko Securities Co., (Europe) Ltd.

Svenska Handelsbanken Group

Vickers Da Costa International Limited

Westdeutsche Landesbank Girozentrale

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NEW ISSUE

All of these Securities have been offered outside the United States. This announcement appears as a matter of record only.

April 1986

\$30,000,000

AIRCAL

5 3/4% Convertible Subordinated Debentures Due 2001

PaineWebber International

Shearson Lehman Brothers International

Banque Paribas Capital Markets Limited

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S.G. Warburg & Co. Ltd.

Hill Samuel & Co. Limited

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N. M. Rothschild & Sons Limited

Soditic (Jersey) Limited

This announcement appears as a matter of record only.

MAY 1986

U.S. \$100,000,000

Sony Overseas Finance B.V.

a wholly-owned subsidiary of and guaranteed by

SONY

Sony Corporation

(Sony Kabushiki Kaisha)

Euro-Commercial Paper Programme

Co-Dealers

Morgan Guaranty Ltd

Credit Suisse First Boston Limited

The Euro-Commercial Paper will not be registered under the United States Securities Act of 1933.

Lloyds Bank Plc

(Incorporated in England with limited liability)

U.S.\$500,000,000

Primary Capital Undated Floating Rate Notes (Series 2)

In accordance with the terms and conditions of the Notes and the provisions of the Agent Bank Agreement between Lloyds Bank Plc and The Chase Manhattan Bank, N.Y., dated 19th November, 1985, notice is hereby given that the Rate of Interest for the Interest Period commencing 21st May, 1986 has been fixed at 7 1/2% p.a. The relevant Interest Payment Date is 21st August, 1986 (including an interest period of 92 days) and payment of U.S.\$150,000 will be made against Coupon No. 1.



21st May, 1986

By The Chase Manhattan Bank, N.A., London, Agent Bank

THE FINANCIAL TIMES

is proposing to publish a Survey on

THE WATER

INDUSTRY

July 9 1986

For further information, please contact:

MARK FISHER

on 01-248 8000 ext 3389

Publication date is subject to change at the discretion of the Editor

MACFARLANE GROUP (CLANSMAN) P.L.C.

Highlights from the 1985 Accounts

Year ended 31st December 1985 1984

Turnover £48.1m £41.5m

Profit before tax £4.0m £3.0m

Total Dividend £0.8m £0.7m

Earnings per Share 7.8p 6.4p

Dividend per Share 2.5p 2.2p

"The company once again achieved record sales and profits".

"The increase in dividend of 15% continues our record of having paid an increased dividend every year since the group was established in its present form in 1973".

SIR NORMAN MACFARLANE Chairman

Copies of the Report and
Accounts are available
from The Secretary,
Macfarlane Group (Clansman) P.L.C.,
Sutcliffe Road, Glasgow G13 1AH.



Guinness Peat boosted by Britannia disposal

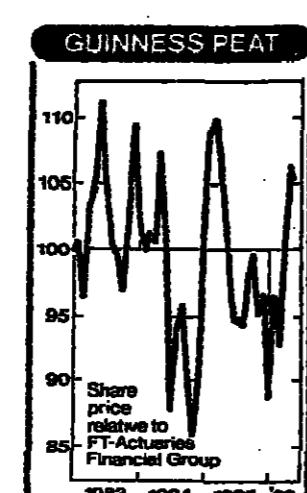
Guinness Peat Group yesterday reported a surge from £6.81m to £9.42m in interim taxable profits, with insurance broking, investment banking and related companies all returning results in line with expectations.

In addition, retained profits for the six months to end-March 1986 were boosted from £2.48m to £3.02m by a £4.61m extraordinary (debt £637,000), which mainly reflected the sale of the group's holding in Britannia Arrow Holdings.

Besides this disposal, the period was also dominated by other developments of a capital nature; a further £7m of subordinated convertible unsecured loan stock was issued; GPA Group, an associate, tripled its capital base by issuing £125m in convertible preferred shares; and Mitsubishi group of companies bought a stake in GPA from GEC (equal in size to the group) for £56.5m — a valuation of over £100m more than the carrying value on the Guinness balance sheet.

Given the terms of GPA's new issue, Guinness expects to contribute to equity account for GPA for several years.

Since the end of the half-year, Guinness has issued £25m of unsecured notes which, together with property realisations, has injected about £100m of cash into the group.



so far this year.

The interim dividend is being raised from 0.6p to 0.9p. Last year's final was 1.1p with taxable profits at £17.58m.

Guinness expects a satisfactory second half with dividends continuing to increase and further progress in broadening the range of profitable operations.

• comment

As takeover bids go Guinness Peat's bid for Britannia Arrow

Savoy urges rejection of THF move

By Martin Dickson

A BATTLE between the board of the Savoy Hotel group and Trusthouse Forte, its largest shareholder, intensified yesterday when the board urged shareholders to reject THF's attempt to block a resolution at next week's AGM.

The resolution would allow the board to issue £500,000 nominal in new shares. This could substantially dilute THF's stake in the Savoy group, which it has long wanted to acquire.

THF has been thwarted by the Savoy's complicated shareholding structure, which gives it 69 per cent of the shares but only 45 per cent of the votes.

The Savoy said yesterday that the new shares would give the company a valuable flexibility to acquire additional assets. The directors believed "it would be quite wrong for the company not to have the usual powers in this respect, simply so that THF can maintain its present percentage shareholding."

They said it was their policy to manage the company in the best interests of all shareholders and not let its development be affected by the ambitions of THF.

Tops Estates

Tops Estates has a full stock market listing, not one on the USM as stated in yesterday's FT.

Wedgwood claims 'far superior' earnings record

By DAVID GOODHART

Wedgwood, the 225-year-old pottery and chime maker which is fighting a £145m hostile bid from the London International Group, yesterday said in its defence document that its record on earnings per share over the past five years was "far superior" to LIG.

Over that period Wedgwood's earning rose by 104 per cent while LIG's rose by only 55 per cent. Sir Arthur Bryan, the chairman, also said that pre-tax profits for the year to March 29 mark another record and described a brokers estimate of £17m as "conservative". A final dividend of not less than 4.5p per share has been proposed by the directors for

1986. Sir Arthur writes to shareholders: "We have built up a substantial asset base which was further strengthened by the £14m rights issue in November 1985. These funds are being used to help finance a major capital expenditure programme which will maintain Wedgwood's position as one of the most technologically advanced and efficient producers in the international tableware industry."

He advised shareholders not to swap Wedgwood for shares in a company "consisting of a mishmash of businesses ranging from contraceptives to electrical appliances."

DIVIDENDS ANNOUNCED

	Current payment	Date	Corre. payment	Total	Total last year
A & P Applecore ...int	2	Aug 22	2	57	6
Bridgeman ...int	2.75	July 7	1	57	57
British & American Film ...int	0.35		Nil	0.35	Nil
Business Mortgages ...int	0.76	June 18	3.21	5.3	4.73
Cambridge & New Town ...int	1.3	July 31	1.51	1.51	1.51
Camphor ...int	1.67	Aug 4	1	1.5	1.5
Carine ...int	2.87	June 27	1.67	5.17	5.17
Chase ...int	0.9	July 4	2.1	4	3.2
Guinness Peat ...int	0.75	July 7	0.8	—	1.9
Lend Lease Holdings ...int	2	June 30	1	0.75	1
Majedie Inv ...int	2	July 4	0.95	—	5.2
MHes 33 ...int	3.1		2.75	3	2.75
RHM ...int	2.12	July 11	1.84	5.29	5.29
Sainsbury ...int	3.85	July 18	3.1	5.5	4.5
Spectra Automotive ...int	1.68	July 31	1.53	2.5	2.28
Tunstall Group ...int	0.8	July 31	0.7	—	1.65

Dividends shown in pence per share except where otherwise stated. *Equivalent after allowing for scrip issue. †Capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶For nine months to Sept 1985. ||Special interim for three month period.

This announcement appears as a matter of record only.



Hawley Group

£100,000,000

Sterling Commercial Paper Programme with Eurodollar option

Dealers

Citicorp Investment Bank Limited

Merrill Lynch International Bank Limited

May 20, 1986.

CITICORP INVESTMENT BANK

RFD agrees to £27m bid by Scapa

By Martin Dickson

Scapa Group, the industrial holding company, yesterday announced an agreed £26.6m takeover bid for RFD Group, the textiles and parachute manufacturer which has been fighting a hostile £25m bid from Wardle Stowes, the plastic sheeting business.

Scapa, which supplies specialist technical products to industry, including textiles, made clear that it was mainly interested in acquiring the textile products division and would be discussing the possibility of a management buy-out of the other parts of the business.

It said the RFD's textiles division would benefit from Scapa's international presence, together with its wider involvement in technical and industrial textiles.

Scapa accompanied the offer with an estimate that its pre-tax profits in the year to March 31 were at least £29m, compared to £27.4m the previous year, with a final dividend of not less than 5.1p a share, making a total of not less than 12.1p, up 10 per cent.

Scapa, advised by J. Henry Schroder Wagge, is offering one share for every five RFD shares. The new shares will not qualify for Scapa's final dividend.

Waddington in friendly talks

John Waddington, the paper and packaging group, is understood to be in friendly talks with Metal Closures, which makes metal and plastic caps, with the aim of launching an agreed takeover of close to £240m.

Closures' share price has been rising strongly since late March when it reported a 45 per cent fall in pre-tax profits to £3.9m. Last night the price was 183p compared to 185p immediately after the profits announcement, outperforming the market by around 50 per cent.

Yesterday Mr David Perry, Waddington's managing director, declined to comment on a possible takeover although he is known to be keen to expand Waddington's plastic and packaging activities.

Coloroll/Staffs

Coloroll, the home furnishings group which on Monday announced the acquisition of Elton's earthenware tableware group, is keeping up the pressure on its previous bid target Staffordshire Potteries.

It announced yesterday that it had taken its ordinary share stake in Staffordshire up nearly 6 per cent to the maximum allowable 29 per cent. It also owns or has pledges for 75 per cent of Staffordshire's preference shares.

Coloroll's share price has been

revalued to 27.3 million arising from property revaluation has been credited to revaluation reserves and accordingly total shareholders' funds including retained profits, now amount to £398 million, equivalent to 553p per share.

The successful completion last year of a rights issue raised £42.3 million which has been invested in the group's future growth. A one for one bonus issue of shares is proposed.

Taylor Woodrow

Construction · Property · Homes

Teamwork achieves 25th consecutive year of growth

Mr Frank Gibb, Chairman and Chief Executive, reports:

FUTURE OUTLOOK

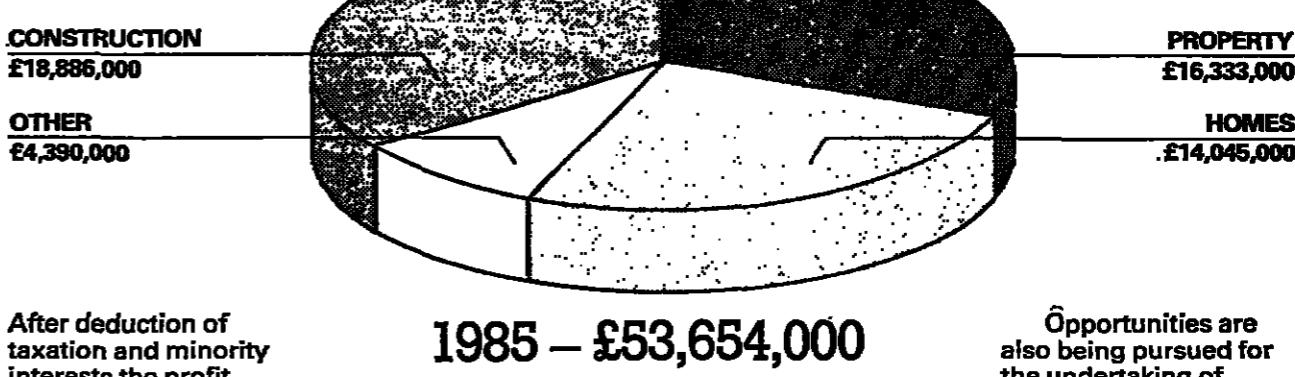
The work available to the construction industry in the U.K. is below its capacity and there has been little increase in public sector investment. We face keen competition internationally, but our experienced construction companies continue to demonstrate that work can still be won and profits earned.

We face the future with great confidence and with the encouragement of a number of recent successes which will stand the group in good stead for the coming years.

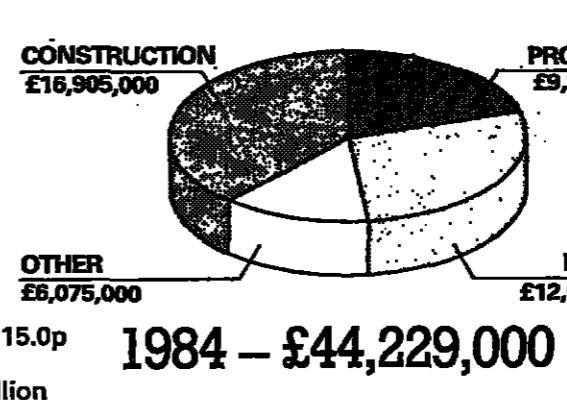
The mandate for the Channel Tunnel project was awarded to the Channel Tunnel Group Limited, of which Taylor Woodrow is a founder member, since when the joint British and French Group has entered into a negotiated concession agreement for implementation of the scheme.

We are also participating in a consortium which hopes to start work shortly on the proposed Canary Wharf development in London's docklands, which is planned to include 10 million square feet of business accommodation.

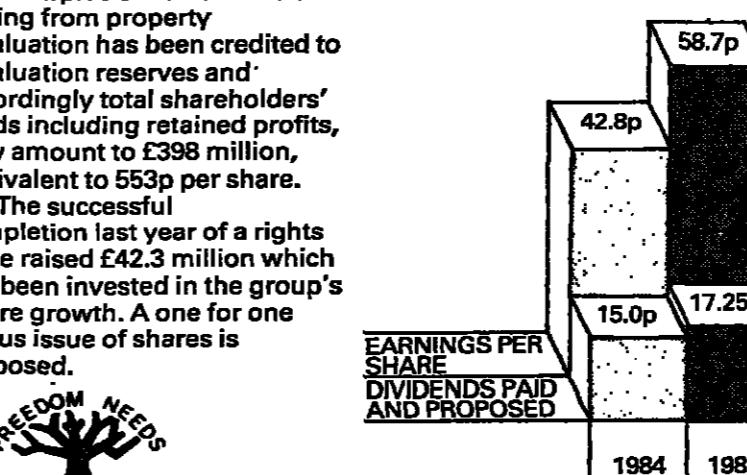
PROFIT BEFORE TAXATION



After deduction of taxation and minority interests the profit available to shareholders was £38.3 million compared with £2.7 million in 1984.



1984 — £44,229,000



Experience, expertise and teamwork—worldwide

Opportunities are also being pursued for the undertaking of major privately-financed construction projects. The company, as a strong supporter of the free enterprise system, considers such schemes to have great potential for the future.

We shall be continuing with our programme of carefully selected quality property and housing

land investments and are also seeking opportunities to expand our housing development activities.

Taylor Woodrow is made up of teams of fine men and women throughout the world supported by the latest systems and high-technology and the considerable resources of the group. By their loyal and dedicated service they make an invaluable contribution to the progress of the Group.

HAWTHORNE HOLDINGS plc

(Registered in England under the Companies Act 1963, No. 1431097)

SHARE CAPITAL

Authorised £500,000 Ordinary Shares of 5p each

Issued and to be Issued, fully paid £356,894

Application has been made to the Council of The Stock Exchange for admission by way of introduction of the whole of the issued share capital of Hawthorne Holdings plc to the Official List. These securities are presently dealt in the Unlisted Securities Market. In connection with a placing of 634,253 new Ordinary Shares of 5p each, which is subject to shareholders' approval at an Extraordinary General Meeting convened for 11th June 1986, application has also been made for such new Ordinary Shares to be admitted to the Official List. It is anticipated that admission will become effective and dealings will commence in the existing Ordinary Shares on 27th May, 1986 and in the new Ordinary Shares on 12th June, 1986.

Hawthorne Holdings plc and its subsidiaries provide a range of design engineering consultancy services to the international automotive industry, including structural analysis, the manufacture of die models, project management and the supply of fully tested prototype vehicles and parts.

Listing Particulars relating to the Company are available in the Extel Statistical Services, copies of which may be obtained during usual business hours on any weekday (Saturdays and Public Holidays excepted) up to and including 3rd June, 1986 from:

CHASE MANHATTAN SECURITIES
72-73 Basinghall Street, London EC2V 5DP and from
Hawthorne Holdings plc, Pembroke House,
11 Northlands Pavement, Peterborough.

Copies of the Listing Particulars are also available from the Company Announcements Office up to and including 23rd May, 1986.
21st May, 1986

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8BP Telephone 01-621 1212

High	Low	Company	Price	Change	Vol.	Fully
146	118	Ass. Brit. Ind. Ord. ...	131	—	7.3	5.6
151	121	Ass. Brit. Ind. CULS... ...	138	—	10.0	8.0
83	43	Airsprung Group ...	83	—	6.4	7.7
22	12	Arco Group ...	22	—	1.8	1.8
177	108	Bardon Hill ...	172	+ 1	4.0	2.3
88	42					

UK COMPANY NEWS

Sainsbury surges 23% to £193m

J. Sainsbury, Britain's largest food and drinks supermarkets chain, has exceeded City forecasts with a 23 per cent increase from £156.4m to £192.7m in full year taxable profits.

Net retail profit margins improved from just over 5 per cent to 5.45 per cent on sales ahead by nearly £40m to £5.58bn. Taxable profits were struck after profit sharing payments of £15.8m (£1.1m).

During the year to March 22, 1986 Sainsbury operated from 283 (253) supermarkets, while homebase stores were increased by five to 28; Savacentre stores remained at six but total small stores were reduced to 17 (18).

Improvements in efficiency through new systems in distribution and in the stores have helped productivity rise to a record level and produced the best annual improvement for seven years. Electronic scanners lifted sales by 18 per cent to £279m and a 30 per cent rise in

are now being installed in all the larger stores.

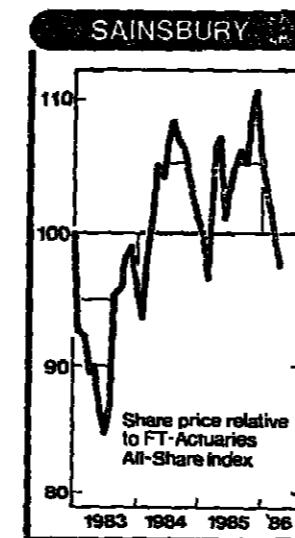
Earnings per 25p share improved to 18.23p (15.61p) after tax of £65.4m (£48m), and the final dividend has been raised to 3.65p (3.1p) for a higher 5.5p (4.5p) total.

Average weekly supermarket sales per square foot improved from £14.27 to £14.87 and Sainsbury's share of national trade in food and drink shops, based on DTI data, rose from 8.7 per cent to 9.1 per cent.

The company says that the rise in supermarket sales of 541.7m represents real volume growth of over 9 per cent, similar to the level of the past two years. Homebase sales advanced by £23m to £57m.

Haverhill Meat Products, an associate, achieved a substantial turnover and produced the best annual improvement for seven years. Electronic scanners lifted sales by 18 per cent to £279m and a 30 per cent rise in

See Lex



Flotation values Evans Halshaw at £17m

BY LUCY KELLAWAY

Evans Halshaw, automotive distributor, is being floated on the stock market with a value of £17m eighteen months after the company was bought out by its management for £9m.

Previously a subsidiary of LCP, the West Midlands industrial group, the company was three divisions — a multi-franchise chain of car dealerships, a distributor of car parts, and a contract hire company.

The largest of the motor dealerships, which consists of seventeen outlets with franchises for Ford, General Motors, BL, Jaguar, Daimler and Rolls Royce, Bentley, was it built up by acquisition since 1971. The other two divisions have been part of the company since 1979.

Following the buy-out, the directors owned 70 per cent of the shares, with the rest owned by Barclays Development Capital. Barclays will be selling the majority of its stake in the offer for sale, while the directors will retain a 34 per cent interest.

More than 60 per cent of the 7.2m shares being offered by Phillips & Drew will be sold to raise £5.5m. This will be used to repay part of the £2m of borrowings created at the time of the buy-out.

The company's trading performance shows three years of flat performances to 1983 caused by the recession in the motor trade followed by three years of growth. In the year to 1985

trading profits were £3.8m (£2.8m) on sales of £132m (£140m). Profit before tax was almost unchanged at £1.2m because of an extra £1m in interest costs on the borrowings used to finance the buy-out.

At the offer price of 120p the shares are being sold on a historic p/e ratio of 8 after a 26 per cent tax charge. The yield is 6.8 per cent.

The application lists open on May 28, and dealings start on June 3.

• comment

Phillips & Drew are taking no risk in pricing Evans Halshaw. The shares are backed by assets worth nearly £1 a share, have a generous yield and are being offered at a rating lower than

others in the sector. However, if the company looks fairly cheap now, it is nothing compared to the price at which the managers bought it less than two years ago, in a deal for which LCP may now be kicking itself. Since then the whole sector has been re-rated, and Evans Halshaw has shown itself capable of making the best of a difficult industrial background.

The company has a shortage of ideas for future expansion to strengthen its three central operations, and to branch out into related areas within the motor industry. The management is retaining a large enough stake in the business to induce it to put its ideas into practice.

Haden in disposal talks with BICC

By Martin Dickson

Haden, the electrical and mechanical engineer which mounted a £56m management buy-out just 10 months ago, is in advanced negotiations to sell about half of the group — its building services division — to BICC, the cables, construction and components group.

Last year's buy-out made City history in that it was the first ever buy-out of a quoted British company and took place as a deal against a hostile £37m takeover bid mounted for the group by Trafalgar House.

Haden's building services division carries out the design and construction of mechanical and electrical services for buildings and industrial process projects.

It includes Haden Young, the major UK contractor, subsidiaries in America and Hong Kong, and a 49 per cent stake in Caviar Distribution.

If a deal goes through, Haden will be reduced to an industrial finishing and automated materials handling business based mainly in the US, where its Haden Schweizer subsidiary builds paint finishing systems, particularly for the car industry.

The likely price of the building services division was not revealed yesterday, though the institutional shareholders who backed last year's buy-out expect they would make a reasonable profit on the investment.

Haden, which is advised by J. Henry Schroder Wag, recently announced 1985 profits of £12m (£3m) on turnover of £344m (£308m).

Sugar sells

5m of his Amstrad shares

By Alice Rawsthorn

Mr Alan Sugar, chairman and chief executive of Amstrad Consumer Electronics, sold 5m shares — 5 per cent of the company's equity yesterday, raising £25.7m which will be general merchandise responded to better design and presentation which widened the group's customer base.

During the 12 months, Castle Publishing and Club Centre of Leed were acquired and since year-end, Venture Marketing, a specialist direct mail order company, has been purchased.

• comment

There is a touch of irony in Fine Art Developments' rapidly increasing exposure to High Street retailing. Only a year ago the group disappointed the market by selling the fast-growing Early Learning chain to John Menzies, saying it wanted to concentrate on the

RHM profits rise 10% to £40m at midway

By Martin Dickson

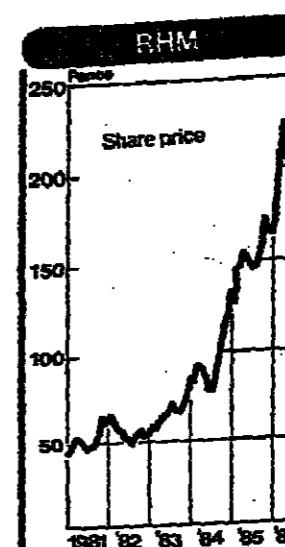
Ranks Hovis McDougall, the food manufacturer and miller which is the UK's second largest bread baker, yesterday reported interim results for the 1985-86 year of £40.2m pre-tax — nearly 10 per cent up on the comparable figure of £36.7m and in line with analysts' expectations.

The bread bakeries division, which last time incurred a loss and extraordinary closure costs, "continued to improve its results as the expected benefits of rationalisation and the heavy investment of recent years took increasing effect," Sir Peter Reynolds, the chairman, said yesterday.

On the outlook, Sir Peter says that the group has made a good start to the current half, and he expects the year as a whole to be satisfactory. Last year the pre-tax profit of £71.5m was a record, and it per cent ahead.

Group external sales rose from £255.4m to £298.2m in the year ended March 1, 1986. The chairman says that "satisfactory" given the effects of last year's poor UK wheat harvest.

Operating profits overseas were up on last year, but were significantly reduced by



catering outlets. He described

the major UK contractor, subsidiary in America and Hong Kong, and a 49 per cent stake in Caviar Distribution.

If a deal goes through,

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cently announced 1985 profi-

ts of £12m (£3m) on turnover of £344m (£308m).

Reorganisation boosts Fine Art

Fine Art Developments, the

Stamford-based greetings

card publisher, is already realising

the benefits of the reorganisa-

tion initiated last year.

The measures have led to

tighter cost control and a reduc-

tion in loss-making activities,

showed through in the group's

results for the year to March 31, 1986 with profits up by £2.9m to

£10.1m at the pre-tax level.

The directors say the current

year should see further benefits

arise from both the reorganisa-

tion and improvements to the

merchandise.

They are continuing to look

for opportunities for expansion

and in all, view the future with

optimism and confidence.

For the past year, turnover

surged from £183.8m to

£199.08m. Below the line there

was an extraordinary credit of

£4.78m arising from the sale of

Early Learning.

During the 12 months, Castle

Publishing and Club Centre of

Leeds were acquired and since

year-end, Venture Marketing, a

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UK COMPANY NEWS

Tunstall profits increase nearly 33% to £2.3m

Tunstall Group, the maker of emergency communications equipment and burglar alarms, has increased interim taxable profits by nearly 33 per cent to £2.32m on turnover ahead from £1.8m to £2.1m.

Earnings per 5p share rose by 2.1p to 8.8p and the interim dividend has been lifted by 0.1p to 0.8p.

Mr Michael Dawson, chairman, says that Tunstall Telecom continues to expand, benefiting from recent expenditure on new product development. "Piper Lifeline has joined our public sector customers are running at an excellent level and we continue to sell the other elements in the Piper range in increasing volumes," he says.

The budgeted trading target for Tunstall Security was achieved and progress has been maintained.

Profits for the six months to end-March 1986, which compared with £1.76m, included net interest receivable of £7,000 (payable £48,000).

Tax was £934,000 (£886,000). After dividends, the retained profit for the period was £1.27m (£917,000).

BOARD MEETINGS	
The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering the financial results of the company available as to whether the dividends are interim or final and the dividends shown below are based mainly on last year's timetable.	
Interim—	FUTURE DATES
Associated Fisheries	May 28
Morcess	June 26
Neonetics and Improvement	Ter May 23
Final—	
Bulmer and Lumb	May 28
Concord and National	May 27
Gerrard and National	May 26
Hunter Saphir	May 25
Janier	June 26
PCG	June 2
Powell Dufryn	June 20
Reich Interests	June 26
TSI Industrial Services	May 20
"The Times" Vener	May 22
Woodchester	May 22

• comment

The economic and sociological benefits of keeping Britain's increasing population of elderly people in their own homes and out of institutional ones continues to stimulate public sector demand for Tunstall Telecom's products, and with Tunstall's security at last washing its face, the company is continuing to live up to their expectations, yesterday. With the shares at 31p, however, the prospective p/e ratio of 17 is looking beyond the £4.8m likely to be achieved this

year. Part of the price rests on hopes that Tunstall is going to make major strides into the private sector through retail sales of its Lifeline system, but with test marketing still at its early stages it is too soon to assume that the response will be good enough to cover the heavy promotional costs of introducing this novel product to the public at large. Even without a Lifeline success Tunstall would be a good growth enterprise, but not enough of one to justify driving the price higher till the prospects become more clear.

Miles 33 seeks full SE listing

SUCH has been the progress at Miles 33, supplier of computer systems, that an application is being made to the London Stock Exchange for admission to full listing. The company's shares are currently traded on the Unlisted Securities Market.

It will not be raising any additional capital at this time, but rather wishes to broaden the ownership to a wider group of shareholders.

COMPANY NEWS IN BRIEF

MAPPIN & WEBB Holdings, jeweller and silversmith, has announced lower pre-tax profits of £4.25m (£4.79m) for the year to February 28 1986 (52 weeks), after increased interest charges of £533,000 (£453,000). There were no profits this time (£842,000) from non-trading items. Turnover was up at £51.3m (£48.82m), yielding trading profits of £4.85m (£4.45m). The dividend is 5.46p (4.96p). Tax was £1.37m (£1.34m).

EL ORO Mining and Exploration Company made pre-tax profits of £1.01m (£883,000) in 1986, including £423,297 (£399,883) from associates. Earnings were 14.28p (11.9p) and dividend is lifted to 4.165p (4.2p) net per 10p share. Company is an investment dealer.

Stationery Office has recently ordered the company's new System 400 for the Parliamentary Press — the largest single order ever received by the company.

System 400 was officially launched in the international market earlier in the year, and increased orders are expected.

In the year under review, the company paid tax of £198,000, compared with £109,000.

EXPLORATION COMPANY holds 49.85 per cent interest.

COMPREHENSIVE FINANCIAL Services increased its pre-tax profits by 27 per cent from £257,000 to £326,000 in 1985. For the current year, this USM company expects to continue the progress made in the second half of 1985. Group turnover increased from £1.1m to £1.55m. After tax up from £75,000 to £117,000, attributable profits came out at £209,000 against £182,000. The total dividend is raised from a single 1.3p to 2.2p net with a final of 1.5p. Stated earnings per 5p share were 5.45p against 5.94p.

EXPLORATION COMPANY, investment dealer, improved pre-tax profits from £1.11m to £1.23m in 1985. This includes

£370,000 (£317,000) share of profits of related companies. The dividend is raised to 2.3075p (2.1p) and earnings per 5p share are shown up at 6.57p (5.63p) after tax of £484,000 (£433,000). Group income was £1.35m (£1.22m). El Oro Mining and Exploration has a 42.25 per cent interest in the company.

PERSONAL ASSETS Trust increased its net asset value per 12p share from 40.26p to 46.8p in the year to April 30 1986. Stated earnings per share were 0.38p against 0.21p, and the dividend is raised from 0.2p to 0.35p. Pre-tax revenue was £20,000 higher at £37,000. Tax for the year was little changed at £30,000 compared with £35,000.

YORKLYDE tops £2m

An increase of 31 per cent in pre-tax profits has been achieved by Yorklyde, Huddersfield-based cloth and rug manufacturer, for the year to January 31, 1986.

An increase of 4.25p (3.75p) final is proposed, lifting the total for year by 1p to 7p. After increased tax of £970,000 (£720,000), earnings per 10p share are shown ahead at 30.6p (23.8p).

Country and New Town boosts asset value

A PROFESSIONAL revaluation of group properties at Country and New Town Properties threw up a surplus of £21.5m over book values and lifted net asset value per 10p share by 29 per cent to 157p at end-January 1986.

The revaluation put a worth on the properties of £142m. The UK accounts for 44 per cent of the group's £150m portfolio.

The year saw gross rental and service income fall from £13.32m to £11.51m but profits before tax surge by £4.19m to £7.62m. A final dividend of 1.3p raises the net total from 1.5p to 1.9p.

Tax took £2m (£1.02m) and minorities £3.68m (£187,000). Earnings amounted to 4.3p (4.2p).

The rise in profits was substantially due to the sale of a major Paris property in the first half. In 1985-87 the group will benefit from rental income arising from the letting of the rebuilt Civil Service Store in the Strand.

Spectra Auto sees further sales growth

FOLLOWING a year in which pre-tax profits grew by 15 per cent on turnover 19 per cent higher Spectra Automotive and Engineering Products sees further growth in the present year with a consequent increase in investment.

In the year to January 31, 1986, this maker of automotive and industrial chemicals, which is based in Newquay, Cornwall, reported taxable profits of £483,000 (£401,000) on turnover of £5.18m (£4.37m). From earnings per 10p share of 6.34p (6.18p) this USM quoted company, the ultimate holding company of which is Sandhurst Marketing, is proposing a final payment of £1.678p (1.525p), making a total of 2.605p.

The directors say that major orders were won from a number of multiple accounts and they were encouraged by the performance of Cyrex, the Dutch subsidiary. Despite disruption caused by investment to increase manufacturing output productivity at Newquay rose by 17 per cent during the year.

YORKLYDE tops £2m

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This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to subscribe for or purchase any securities.

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ITCB INTERNATIONAL LIMITED

MORGAN CRENWELL & CO. LIMITED

SWISS BANK CORPORATION INTERNATIONAL LIMITED

UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

Application has been made to the Council of The Stock Exchange for the Notes to be issued at 100 1/4% in denominations of Canadian \$1,000 and Canadian \$10,000 to be admitted to the Official List. Interest will be payable annually in arrears on 29th May, in each year from and including 29th May, 1986. The first interest payment will be made on 29th May, 1987.

Listing particulars relating to the Notes and PepsiCo, Inc. are available in the Extel Statistical Service and copies may be obtained during business hours up to and including 23rd May, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 4th June, 1986 from:

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

Morgan Guaranty Ltd
30 Throgmorton Street
London EC2N 2NT

The Chase Manhattan Bank N.A.
London Branch
Woolgate House
Coleman Street
London EC2P 2HD

21st May, 1986

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Société Nationale des Chemins de Fer Belges (SNCB)

(B) Nationale Maatschappij der Belgische Spoorwegen (NMBS)

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In accordance with the provisions of the notes, notice is hereby given that for the six month interest period from May 20, 1986 to November 20, 1986, the notes will carry an interest rate of 7.15 per cent per annum. The interest will be payable on the relevant interest payment date which will be November 20, 1986 is U.S.\$1,820,633 for U.S.\$350,000 in principal amount of the notes.

by Generale Bank
Agent Bank



This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

The York Waterworks Company (Incorporated in England)

Placing of £2,000,000

10 per cent. Redeemable Debenture Stock, 1996/98 at £100 per cent. (£10 per cent. paid)

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List. The Stock will rank for interest *par passu* with the existing Debenture Stocks of the Company. Particulars of the Stock have been circulated in the Extel Statistical Service Ltd, and copies will be available, for collection only, during usual business hours until 22nd May, 1986 from the Company Announcements Office of The Stock Exchange, London EC2. Copies may also be obtained during normal business hours up to and including 6th June, 1986, from:

Seymour, Pierce & Co.
10 Old Jewry,
London, EC2R 8EA
or from the Company's principal office,
Lendal Tower,
York, YO1 2DL

21st May, 1986

RHM half year profits up to £40.2 million



RESULTS

Group profit before taxation for the half-year ended 1 March 1986 amounted to £40.2 million compared with £36.7 million for the corresponding period of the previous year — an increase of 9.5 per cent.

Improvements in profits were recorded by our packaged cake and grocery businesses; the general products division, which includes our expanding restaurant and retail catering outlets, likewise achieved increased profits. The bread bakeries continued to improve their results as the expected benefits of rationalisation and the heavy investment of recent years took increasing effect. The cereals division, through which the Group's flour milling operations are conducted, reported satisfactory results despite the effects of last year's poor wheat harvest in the United Kingdom. The Group's overseas businesses achieved increased operating profits over the corresponding period of the previous year but these were significantly reduced by the effects of adverse exchange rates. In the

United States profits were substantially ahead whilst in the Far East and Australasia profits remained at a similar level to those of last year.

A lower taxation charge and smaller minority interests contributed towards a substantial increase in earnings per Ordinary share to 9.5p per share, an increase of 18.8 per cent over the previous half-year.

INTERIM ORDINARY DIVIDEND

The Board has decided to pay on 11 July 1986 to Ordinary shareholders registered at the close of business on 13 June 1986 an interim dividend for the year to 30 August 1986 of 2.12p per Ordinary share, an increase of 15 per cent over the interim dividend of 1.84p per share paid in 1985.

OUTLOOK

The Group has made a good start to the second half of the year and I expect the year as a whole to be another satisfactory one.

Sir Peter Reynolds, Chairman

RESULTS IN BRIEF	Half year to 1 March '86	Half year to 2 March '85	Year to 31 August '85
External sales			

UK COMPANY NEWS

Business Mortgages rises 38% to record £2.4m

IN LINE with the forecast made at the time it came to the market in August last year Business Mortgages Trust achieved record profits of £2.4m in the year to the end of March. The result was 38 per cent higher than the comparable £1.74m on operating income of £16.39m, against £11.55m.

Earnings per share for this Plymouth-based provider of commercial mortgages were 11.2p (9.2p) and as forecast the total payment is £1.5125p, with a proposed final dividend of 0.75625p.

The company says that loans during the year grew steadily with total advances at the end of the period at £79.33m, an increase of 26 per cent.

Mr Brian Peachey, chairman, says the year was one of satisfactory progress but expresses concern about the level of bad and doubtful debt provision, standing at £2.07m (£1.73m). He adds that the provision is prudent with scope for some recovery.

Dividends absorbed £248,000 (£47,000) leaving the retained profit at £1.06m against £1.12m.

• comment
Business Mortgages Trust slipped unobtrusively onto the stock market last August and,

apart from a sensationalistic writ story in a national newspaper has stayed there unobtrusively ever since. The writ was dropped, but so did the BMT share price, from 145p to 110p. The price has since recovered, closing at 130p yesterday. Given that BMT is in a relatively sheltered sector of the mortgage market — one which aggressive Americans and even the building societies have yet to penetrate — there is no shortage of would-be borrowers. Finding the correct type of borrower has proved more problematic, however, almost two-thirds of the provision for "bad and doubtful

debts" pertains to overvalued properties. And BMT clearly encountered administrative difficulties in accommodating the influx of new business last year so much so that it was forced to curb the pace of growth from a prospective 40 to 36 per cent.

Despite the risk of decline in its core business, South West tourism 1986-87 should produce profits of £3.5m and a p/e of 9.

Although BMT professes disdain at the prospect of becoming yet another financial services supermarket, its long term

plans involve augmenting its incipient investment management and broking activities.

Majedie asset value improves

Majedie Investments, which is involved in the investment of funds mainly in listed securities, improved its net asset value to 255p per 10p share at end-March 1986, against 220p a year earlier.

The directors are paying an increased 2p (0.95 for three months) interim dividend and expect to maintain the final at 1.25p. Earnings per share are shown down from 3.61p to 3.41p.

The results reflect the further reinvestment of liquid funds which, as Mr J. K. Barlow, the chairman, mentioned in his last annual report, will restrict the scope for any significant advance in earnings for the full year.

Net income, after an unchanged tax charge of £377,000, fell to £903,000 (£947,000).

The comparative figures are restated due to the merger with Barlow Holdings.

Surplus labour still a big problem at Mersey Docks

THE burden of surplus labour among registered dock workers and other groups in the Port of Liverpool, is the most significant problem which the Mersey Docks and Harbour Co has to face, and it continues to confront the Port with major difficulties for the future.

But there was a considerably brighter side, says Mr James Fitzpatrick, the chairman. He says continuing strong cost control discipline played a considerable part in the company achieving increased profits in 1985, and most areas of cargo operations showed an improvement over the previous year.

For 1985, trading profits increased by 69 per cent from £1.92m to £3.24m. At the pre-tax level, profits climbed from £307,000 to £2.4m on turnover ahead from £50.23m to £52.96m.

Mr Fitzpatrick says the group is currently trading profitably, although the ongoing burdens relating to over-manning and pensions continue to erode earnings.

Net income, after an unchanged tax charge of £377,000, fell to £903,000 (£947,000).

The comparative figures are restated due to the merger with Barlow Holdings.

of the company's total cargo handling revenue.

Mersey Docks had to increase its contribution to severance costs from March 31 1986. Of this, Mr Fitzpatrick says: "It is imperative that the exhaustive discussions with Government and the National Association of Port Employers continue until a realistic solution is achieved."

Mr Fitzpatrick reports that the Royal Seafarers container terminal handled an increased number of units — 89,000 in 1985, compared with 78,500 the previous year. The grain terminal, also at Royal Seafarers, improved its performance from 1.3m tonnes to 1.47m tonnes and the timber terminal had done slightly better than in the previous year with 189,500 tonnes against 179,000 tonnes.

Liverpool Freeport — very much the clear front-runner among UK free zones — handled goods valued at £24m in its first full year, and attracted a number of full shiploads to the port.

After tax considerably lower at £400,000 compared with £1.15m, retained profits were £2m against losses of £343,000. Stated earnings per 10p share were 10p (1.1p losses).

Details of the issue are being posted to shareholders today and the last time for acceptance is June 11.

J. Crean rights to raise £15m

TO FURTHER its investment programme Dublin-based James Crean is calling on shareholders for £15.38m (£13.9m net of expenses via a rights issue.

Terms are one new ordinary at 135p for every four held. The sterling equivalent to non-Irish residents is 316p.

The issue is being fully underwritten jointly by Allied Irish Investment Bank and Ulster Investment Bank. Brokers to the issue are J. and E. Davy in Dublin and Rowe & Pitman in London.

The company, engaged in the sale and distribution of industrial electrical products and confectionery, is continuing to evaluate possible investments, including additions to its existing business in Ireland, the US and the UK.

The directors say an increase in the capital base at this time will strengthen the negotiating position. Until investments are made, the issue proceeds will be used to offset existing borrowings.

After tax considerably lower at £400,000 compared with £1.15m, retained profits were £2m against losses of £343,000. Stated earnings per 10p share were 10p (1.1p losses).

Underwoods' 72% rise to £2.5m beats flotation forecast

Underwoods, the multiple retailer best known for its chemist shops, has beaten the profit forecast it made at the time of its full listing last November. For the year ended January 31 1986, the taxable result was up 72 per cent to £2.54m compared with a forecast £2.3m, and included £120,000 earned on subscription income. Profits last year were £1.45m.

Turnover rose 26 per cent to £55.5m, and an increase in trading margins produced pre-interest profits 65 per cent up at £2.82m.

There is no dividend for the year as stated in the offer document, but the company will initiate payments with an interim for the current year. Earnings per share rose 3.1p to 8.8p in the year under review.

After tax at £55.5m (£505,000) and an extraordinary credit of £226,000 (£20,000 debit), retained profits came through at £2.03m (£533,600). Mr Harry Woolf, the chairman, says that the £3.5m net proceeds from the offer, plus the retained profit, provide a

Falmouth Shiprepair loss halts Appledore growth

THE ACQUISITION last year of a 50 per cent stake in Falmouth Shiprepair has checked the advance experienced by the A & P Appledore Group in recent years.

The six months to end-March saw group pre-tax profits fall from £443,800 to £282,300 after taking account of a £207,900 share in Falmouth's losses. Falmouth's results cover the 12 months since acquisition.

Although the shiprepair market has been particularly depressed there has been an improvement in the yard's workload since early March. An improving trading situation is looked for in the coming months.

Tranwood at £180,000

Tranwood Group, engaged in manufacture of hosiery and associated products, has increased full year taxable profits from £19.000 to £180,000 on turnover ahead by nearly £1m to £5.92m.

Earnings per 5p share were down from 4.8p to 4.68p to 0.55p. No dividend has been paid since 1976.

The directors say that the trading results for the year to end-January 1986 were satisfactory. Bear Brand hosiery ended the year with a strong sales performance and increased profits.

Bridgend resumes payout

AS RECAST last year, Bridgend Group returned to profitability in 1985, and the directors are recommending a dividend payment for the first time in over 12 years.

The group, which makes and distributes electronic and security products, and distributes commercial vehicles, achieved pre-tax profits of £121,700 for 1985, compared with losses of £163,000. Profits at the halfway stage were £70,000 (losses £78,000).

A dividend of 0.35p for the year is proposed to be paid from stated earnings per 10p.

Cramphorn ahead midway

AN IMPROVEMENT in its first half results from losses of £8,951 to pre-tax profits of £22,270, has been achieved by Cramphorn, Essex-based garden centre operator and pet products distributor.

The interim dividend is being held at 1.667p. A total of 5.17p was paid for 1984/85 when profits were £432,000 (£570,000). For the half year to January 4, 1986 earnings are shown down from 2p to 1.3p. The company's 50p shares are quoted on the USM.

Turnover improved by 12 per cent to £3.1m (£3.64m) in the six months. This was largely attributable to greater demand due to the better autumn weather, the directors state.

There was also additional turnover from the new garden centre at Bury St Edmunds. The improvement in sales was restricted, however, by nursery stock losses.

If there is an early improvement in the weather the underlying signs are that there will be a sustained demand in the garden trade during the remainder of the financial year.

A large part of the increase in interest charges from £6,950 to £6,750 is due to higher rates and costs of financing the Bury St Edmunds operation.

Tax is estimated at £6,000 (nil).

B & A Film profits ahead

British and American Film Holdings, investment holding company, saw profits for 1985 ahead at £801,000, against £512,000.

At the end of the period investments were worth £10.54, compared with £8.38m a year earlier to give net assets per 5p of 372p against 267.5p. Net assets have risen further since the year with a figure at May 7 of 412.7p.

Fisons growth continuing

Fisons has continued its growth pattern in the opening months of 1986. Mr J. S. Kerridge, the chairman, told the annual meeting.

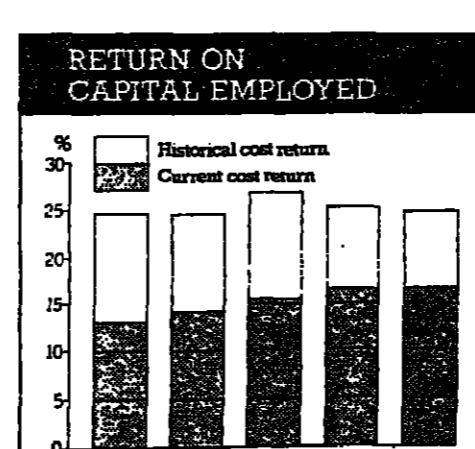
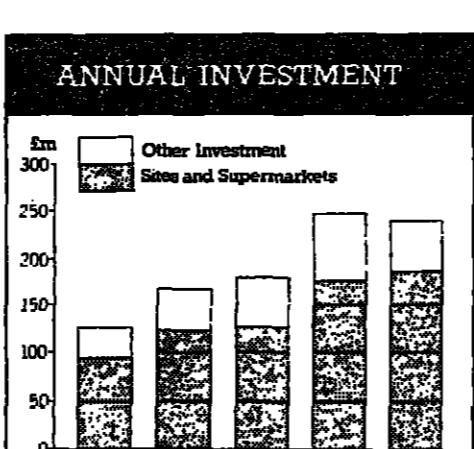
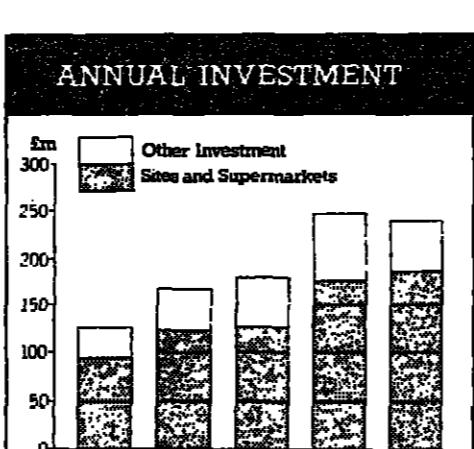
The meeting was also told that Sir Philip Harris, chairman and founder of the Harris Queensway Group, would join the board in June as a non-executive director.

Yearlings up 16

The interest rate for this week's issue of local authority bonds is 8.16 per cent up 1/8 of a percentage point from last week, and compares with 12.1 per cent a year ago. The bonds are issued at par and are redeemable on May 27 1987.

A full list of issues will be published in tomorrow's edition.

RESULTS			
£ million	1986 52 weeks to 22nd March	1985 52 weeks to 23rd March	% increase
Sales	3,575.2	3,135.3	14.0
Retail Profit	194.9	158.8	22.8
Net Margin	5.45%	5.06%	
Associates	13.6	9.7	40.8
Profit before Tax and Profit Sharing	208.5	168.5	23.8
Profit Sharing	15.8	12.1	31.3
Tax	65.4	48.0	36.2
Earnings per Share (35% tax)	17.92p	14.64p	22.4
Dividend per Share - net for year	5.50p	4.50p	22.2



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COMMODITIES AND AGRICULTURE

Brussels probes semen cartel

By Peter Bruce in Bonn

ELNOB the bull is on the brink of stardom. This has very little to do with the fact that although he is only 12 years old, he has already sired nearly 7,500 offspring. No. Elnoch may one day owe his fame to the fact that his owners may soon be helping the European Commission in Brussels with certain enquiries.

Elnoch is the very soul of the Greifenseberg insemination station in Bavaria. Twice a week he passes semen into a wheeled contraption thinly disguised as a cow. The sperm is then collected, tested in a laboratory, and frozen, ready for sale. Bulls at 65 such stations around Germany go through much the same routine. The stations, charges a report now in Brussels, operate an illegal cartel.

But suddenly the stations, set up after the Second World War to help improve the quality of dairy cows and to eliminate venereal disease among the animals, have been caught up in the new world. In a sense, they are in good company. Cartels and monopolies thrive in West Germany:

According to a report drawn up by a small legal firm in Elzach, Baden-Württemberg, and passed on to the Commission and to the Agriculture Ministry in Bonn, the stations have cornered virtually the entire market in insemination.

Owners of cows, says the report, are forced to deal only with the stations which organise themselves into regional depots, parading either as "co-operatives" or "associations" or companies. In many cases, farmers are required to become members of the associations or co-operative and, says the report, the farmers are often forced to make their cows available for insemination even though they might not require extra animals.

The report says the stations dictate not only semen prices but sell only to selected customers. For instance, the man who commissioned the report, Mr Adolf Schmick, is a freelance insemination specialist in Baden-Württemberg who, says the law firm, Fischer-Fritsch, simply cannot buy sperm from the stations to inseminate the cows of farmers who want to hire him. The farmers, many of whom are small and financially weak, are then forced to turn to the stations.

For a number of years now 56 farmers in southern Germany have been waging a legal battle on behalf of a highly regarded insemination specialist who has been "frozen" by the stations. In 1980 the man, Mr Martin Kirschlechner, for 14 years a specialist in the Greifenseberg station, helped inseminate three cows belonging to a farmer, a friend, outside his region. The regular inseminator was away on holiday. Mr Kirschlechner was immediately fired. His case has dragged on for two years in the courts.

Mr Schmick, himself a part-time farmer with cows he wants inseminated, sounds almost angry enough with the stations to take them to the European Court if he does not get satisfaction from the Commission in Brussels or the Agricultural Ministry in Bonn. He has already had one disappointment — two weeks ago the cartel office in Berlin returned the report to Fischer-Fritsch saying they could not help, that it was all a matter for the courts.

Over-supply pushes silver to near four-year low

BY ANDREW GOWERS

THE London silver bullion market dropped sharply yesterday to reach its lowest level in nearly four years. At yesterday's fix, the metal was quoted at 317.7 pence per troy ounce, down 14.4 pence on the day.

Dealers said while there are no fresh factors to explain the fall, which has been going on sporadically for months since levels above 450p reached in February of this year, the market continues to suffer from chronic over-supply. It is demonstrating once again that the silver price is effectively separated from those of gold and other precious metals.

"There's just too much silver around," said one leading London bullion house. "The market is suffering from an intense attack of apathy."

Over-supply has been a factor in the silver market for years, but in the past that slack has been taken up by speculators including the famous Hunt brothers who together accumulated about 500m ounces in the early 1980s. What marks the latest slump out is the speculative buying is almost totally absent.

"The only speculators in the market are those selling short," said a trader. "Ironically, the only thing that's stopping the market going down further is

that there are a lot of short positions. Silver has come to be seen much more as a commodity pure and simple rather than a hedge against inflation."

In the meantime, silver consumption in the photographic and jewellery industries among others is running at only 75 per

afford to finesse the market," said a dealer.

According to Drexel Burnham Lambert, excess silver supplies were running at about 115m ounces a year in the first half of the 1980s.

According to the pessimists, one of only three things could reverse the present price decline:

① A huge increase in industrial consumption of silver, which seems highly unlikely in the present circumstances;

② A resurgence of inflation; or

③ A decrease in supplies from smaller producers like the US, Australia and Canada as a result of the declining profitability of silver mining. That, too, will take some time to filter through.

Morocco's largest silver mine is no more than double capacity to 110 tonnes a year by 1988 in an expansion programme costing \$100m. An Belgian association, Société Métallurgique d'Imfer (SMI), said yesterday, Reuter reports.

The Imfer mine, located near the picturesque oasis of Tinherir east of the Atlas mountains, has ore reserves estimated at 3m tonnes. It was mined in the 12th Century and rediscovered in 1950 when aerial surveys revealed the ancient workings.

ent of its level in the early 1970s.

The over-supply position is aggravated by the fact that the two biggest producers, Peru and Mexico, desperately need foreign exchange — even more so than the two major producers of gold, South Africa and the Soviet Union. "They can't

EEC milk substitutes test case goes ahead

BY TIM DICKSON IN BRUSSELS

sales.

The European Commission, prompted by a Dutch trader, took the case to the European Court in 1982 and followed this up with a similar action against the Germans last year. By contrast with the French case, the German case is not yet far advanced; the court, moreover, has asked the commission for more information on the thorny question of milk substitutes, at the same time offering to withdraw for the moment a case against France which it has been pursuing since 1984.

Yesterday, however, slightly red-faced officials in Brussels disclosed that the court has rejected this overture and intends to publish its decision within the next couple of months. An opinion delivered by the Advocate-General Sir Gordon Slynn in March came down strongly against the French ban and although not binding on the European Court, it is on past precedent almost certain to be reflected in the final judgment.

Such a decision would be a blow to both the French and the German governments, which prohibit milk imitation products such as coconut, soya and palm oils on grounds that they are more healthy than substitutes, that the ban is necessary to protect consumers' health, proper labelling is quite adequate) or that the removal of the ban would significantly swell agricultural surpluses.

SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 2.750-2.810.

TUNGSTEN ORE: European free market, standard min 65 per cent, \$ per lb, tonne lots in warehouse, 2.30-3.00.

MOLYBDENUM: European free market, drummed molybdate, \$ per lb, in warehouse, 2.70-2.75.

SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 5.10-5.70.

TUNGSTEN ORE: European free market, standard min 65 per cent, \$ per lb, in warehouse, 2.20-2.30.

MERCURY: European free market, min 99.99 per cent, \$ per flash, in warehouse, 2.20-2.30.

LEAD: European free market, min 99.5 per cent, \$ per lb, in warehouse, 2.70-2.75.

ANTIMONY: European free market, 29.6 per cent, \$ per tonne, in warehouse, 2.750-2.810.

BISMUTH: European free market, min 99.99 per cent, \$ per lb, in warehouse, 2.750-2.810.

CADMIUM: European free market, min 99.95 per cent, \$ per lb, in warehouse, 2.00-2.15.

COPPER: European free market, min 99.99 per cent, \$ per lb, in warehouse, 2.750-2.810.

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Better GNP boosts dollar

The dollar improved quite sharply and finished towards the best level of the day, following an unexpected upward revision in the US first quarter GNP figure. Most people had been looking for a downward revision of the previous 3.2 per cent estimate to nearer 2.8 per cent but yesterday's figure showed a rise to 3.7 per cent.

This found some dealers wrong-footed and prompted a good deal of short covering so that the dollar threatened to move outside its recent trading range, touching a high of DM 2.2460 against the D-mark and Y168.70 against the yen. It closed at DM 2.2410 from DM 2.2355 on Monday and its best closing level for a month. Against the yen it finished at Y168.65 compared with Y168.25. Elsewhere the rose to SF 1.8690 from SF 1.8680 and FF 1.7375 from FF 1.7360. On Bank of England figures, the dollar's exchange rate index rose from 115.0 to 115.4.

Despite the dollar's recovery, it was still too early to decide whether the dollar had found a floor level after its decline over the past eight months. There was still a weight to various comments by US officials which were sufficiently vague to be open to different interpretations. Much will depend now on

POUND SPOT—FORWARD AGAINST POUND

May 20	Day's spread	Close	One month	% p.s.	Three months	% p.s.	One year	% p.s.
US	1.5160-1.5330	1.5165-1.5175	0.48-0.49c pm	3.52	1.18-1.19 pm	3.59		
Canada	1.4925-1.4940	1.4927-1.4930	0.39-0.40c pm	1.97	0.98-0.97 pm	1.58		
Netherlands	3.302-3.35	3.302-3.35	0.05-0.06c pm	2.42	1.12-1.13 pm	2.22		
Denmark	12.451-12.60	12.501-12.57	3.3-3.4c pm	3.11	9.71-9.75 pm	2.67		
Ireland	1.1710-1.1715	1.1715-1.1716	0.05pm	0.54	0.15-0.16pm	-0.18		
W. Germany	1.3771-1.3775	1.3771-1.3775	0.11-0.12c pm	1.45	0.45-0.46pm	5.44		
Portugal	222.32-226.67	226.48-229.67	25-26c pm	2.51	0.65-0.66pm	2.50		
Spain	214.01-216.09	216.51-216.59	25-26c pm	2.51	0.65-0.66pm	2.50		
Norway	11.51-11.53	11.511-11.531	2.7-2.8c pm	2.32	7.13-7.15 pm	-1.72		
France	10.75-10.85	10.821-10.831	1.05-1.06c pm	2.28	5.18-5.19pm	-0.12		
Sweden	10.85-10.83	10.87-10.88	1.05-1.06c pm	1.03	5.15-5.16pm	-0.76		
Japan	255.25-256.25	255.25-256.25	1.15-1.16c pm	1.15	1.15-1.16pm	0.02		
Austria	2.37-2.38	2.37-2.38	0.11-0.12c pm	0.47	0.22-0.23pm	5.02		
Switz.	2.82-2.84	2.82-2.84	0.11-0.12c pm	0.47	0.22-0.23pm	5.02		

Belgian rate is for convertible francs. Financial franc 165.75-165.85. Six-month forward dollar 2.10-2.05c pm. 12-month 3.45-3.51c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR								
May 20	Day's spread	Close	One month	% p.s.	Three months	% p.s.	One year	% p.s.
UK	1.5160-1.5330	1.5165-1.5175	0.48-0.49c pm	3.52	1.18-1.19 pm	3.59		
Ireland	1.4925-1.4940	1.4927-1.4930	0.39-0.40c pm	1.97	0.98-0.97 pm	1.58		
Belgium	3.302-3.35	3.302-3.35	0.05-0.06c pm	2.42	1.12-1.13 pm	2.22		
Denmark	12.451-12.60	12.501-12.57	3.3-3.4c pm	3.11	9.71-9.75 pm	2.67		
Ireland	1.1710-1.1715	1.1715-1.1716	0.05pm	0.54	0.15-0.16pm	-0.18		
W. Germany	1.3771-1.3775	1.3771-1.3775	0.11-0.12c pm	1.45	0.45-0.46pm	5.44		
Portugal	222.32-226.67	226.48-229.67	25-26c pm	2.51	0.65-0.66pm	2.50		
Spain	214.01-216.09	216.51-216.59	25-26c pm	2.51	0.65-0.66pm	2.50		
Norway	11.51-11.53	11.511-11.531	2.7-2.8c pm	2.32	7.13-7.15 pm	-1.72		
France	10.75-10.85	10.821-10.831	1.05-1.06c pm	2.28	5.18-5.19pm	-0.12		
Sweden	10.85-10.83	10.87-10.88	1.05-1.06c pm	1.03	5.15-5.16pm	-0.76		
Japan	255.25-256.25	255.25-256.25	1.15-1.16c pm	1.15	1.15-1.16pm	0.02		
Austria	2.37-2.38	2.37-2.38	0.11-0.12c pm	0.47	0.22-0.23pm	5.02		
Switz.	2.82-2.84	2.82-2.84	0.11-0.12c pm	0.47	0.22-0.23pm	5.02		

UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

US rates are for convertible francs. Financial franc 165.75-165.85.

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Prices at 3pm, May 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 39

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Confused response to GNP data

IN THE WAKE of a somewhat confused response to the revised GNP estimates from the Bureau of Economic Analysis, Wall Street stocks moved higher at mid-session yesterday, writes *Terry Byland* in New York.

The lead came from the bond market, where federal issues replaced early half point falls with gains of a similar proportion.

At 3pm, the Dow Jones Industrial average was 12.65 up at 1,770.83.

The Dow transportation average also staged a rally from recent weakness. Traders remained undecided about the underlying trend of the stock market. Buying interest was sporadic and the low level of turnover caused some concern.

The upgrading of the GNP estimates to show a 3.7 per cent growth rate in the first quarter was a surprise for Wall Street where analysts expected a downward revision to around 2.5 per cent. But the initial fall in bond prices was quickly recovered when analysts took a closer look at the GNP estimates and decided that they indicated a weak economy.

The rally in bonds, fuelled also by firmness in the dollar and by a down-

turn in crude oil futures in New York, was slow to reach the stock market. However, a bull factor was a rally in IBM stock, which had approached a significant support range.

At \$145%, IBM gained \$1% in brisk trading, helped by the announcement of new products. Digital Equipment, number two to Big Blue, rebounded \$1% to \$87% and Honeywell at \$76% added \$4%.

Sperry recaptured the top place in the NYSE actives list, easing \$1% to \$73% as its rejection of Burroughs' sweetened offer of \$75 a share left the arbitrageurs hopeful for yet higher terms. Neither a friendly white knight nor a new rival bid for Sperry seems likely, but Wall Street believes that Sperry will push Burroughs closer to an offer price of \$80 a share. Burroughs eased \$1% to \$58.

Despite the revival in oil futures prices this week on the New York Mercantile Exchange, airline stocks turned sharply upwards, with the domestic carriers leading the way on expectations that terrorist fears will keep US tourists at home this summer.

American at \$56% gained \$1%, and Delta \$3% to \$43%. But PanAm, unsettled by the sharp fall in transatlantic passenger traffic, shed another \$1% to \$54%, a low for the year.

Oils were generally firm, Exxon adding \$1% to \$58% although the Atlantic Fed fell \$1% to \$55%.

Retail stocks strengthened behind trading results from major names. May Department stores jumped \$2% to \$78% on the profits news, while Dayton Hudson added \$1% to \$55% and Allied Stores \$1% to \$42% on similar grounds. K-mart, still responding to this week's trading

statement, gained a further \$1% to \$51% in heavy trading.

Home Depot jumped \$2% to \$19% after disclosing a sharp rise in first-quarter earnings. However, Associated Dry Goods at \$45% lost \$1% after reporting lower profits. Shopwell, the supermarket chain, gained \$2% to \$33% on the news that it had begun merger discussions.

Some interest was shown in paper industry stocks after Merrill Lynch favourably reviewed Champion International, which gained \$1% to \$23%. International Paper, the industry leader, put on \$1% to \$56%.

There were sharp gains in some pharmaceuticals despite the recovery in the dollar. Pfizer gained \$1% to \$59% and Bristol-Myers \$1% to \$76%. Chemicals, too, moved ahead, under the lead of Monsanto, \$1% higher at \$65%.

In the credit markets, the sharp rise in rates was abruptly halted as analysts took a second look at the GNP estimates. The data disclosed a sharp rise in inventories, which was seen as a sign of weak demand that "bodes ill for the second quarter." Early gains in short-term rates were trimmed, with the Fed halting the process along with two-day system repurchases. Bonds staged a surprising turnaround to show gains of half a point in response to the market's final bearish reading of the economic data.

TOKYO

Small-lot selling hits blue chips

BLUE CHIPS and consumer stocks were out of favour and share prices closed slightly lower in Tokyo yesterday, writes *Shigeo Nishiwaki* of *Jiji Press*.

In lacklustre trading, some oils, biotechnology stocks and issues related to mergers and acquisitions were traded for short-term capital gains.

The Nikkei average dipped 7.55 from the previous day to 15,889.98. Trading remained light at 315m shares compared with Monday's 274m. Declines outpaced advances by 435 to 364, with 166 issues unchanged.

Some biotechnology issues attracted strong buying interest. Kuraray, the second busiest issue with 12.48m shares changing hands, jumped Y60 to Y1,730, bolstered by reports of the company's clinical test on a new anti-cancer agent. Kyowa Hakko leaped Y40 to Y1,630 and Nippon Kayaku Y80 to Y1,070.

Oil issues regained popularity, with Nippon Oil finishing Y60 higher at Y1,190 after gaining Y80 at one stage. Showa Shell Sekiyu spurted Y10 to Y846.

Arabian oil soared Y260 to Y360 on investor expectations that the yen's sharp appreciation against the dollar and cheaper crude oil prices would bring about a major improvement in earnings.

Also in the spotlight were issues rumoured to be the target of speculators. Tobishima topped the active list for the second consecutive session with 14.99m shares, advancing Y10 to an all-time high of Y868 during trading. But the issue closed Y24 lower at Y825 due to investor concern about high price levels.

All Nippon Airways (ANA) advanced Y22 to Y915 on rumours of its stock being cornered. Tokyo Tanabe, Toyo Linoleum and Janome Sewing Machine scored daily limit gains, rising Y100, Y105 and Y100 to Y600, Y1,100 and Y2,290 respectively.

Takuma, the fifth most active stock with 7.72m shares, added Y28 to Y883 during the day, surpassing its all-time high of Y881. But it came under selling pressure later to end at Y670, up Y15. Its popularity was apparently fuelled by rumours of takeover plans by a foreign firm.

Buying interest in consumer stocks and blue chips faded, with Hitachi losing Y14 to Y879 and NEC Y30 to Y1,490 on small-lot selling. Tokyo Electric Power dropped Y20 to Y3,650 and Ohbayashi Y5 to Y538.

Bond prices fluctuated in response to moves on the bond futures market.

On the futures market, September contracts fell Y0.58 to Y101.78 at one stage, depressed by an overnight rise in the yield on 30-year US Treasury bonds, but closed Y0.05 higher at Y102.40 on buying by securities houses toward the close.

On the cash market, the yield on the benchmark 6.2 per cent government bond maturing in July 1995 fell to 4.845 per cent, compared with the previous day's 4.860 per cent, after rising to 4.935 per cent. The yield on the 5.1 per cent bond due in March 1996 advanced to 5.230 per cent in early trading, but later declined to 5.150 per cent as against Monday's 5.090 per cent.

HONG KONG

A REBOUND following Monday's sharply lower session turned prices higher in Hong Kong. The Hang Seng index added 12.25 to 1,777.27 after the previous day's loss of more than 22 points.

Next week's government land auction prompted activity in the property sector. Cheung Kong added 20 cents to HK\$20.40, Hongkong and Kowloon Wharf rose a similar amount to HK\$7.15, Hongkong Land gained 10 cents to HK\$6.20 and New World Development also rose 10 cents to HK\$6.20.

Trading companies attracted strong support with Hutchison Whampoa ahead 10 cents at HK\$29.00 and Jardine Matheson 20 cents higher at HK\$12.50.

EUROPE

Post-holiday strength displayed

THERE WAS SOMETHING for everyone on the European bourses yesterday as investors returned from the Whitmon holiday. The Netherlands put on an unexpectedly good pre-election showing. Belgium was at a record amid government moves on the budget and profit-takers hit West German stocks heavily in thin trading.

Amsterdam displayed surprising strength and high turnover when most dealers had expected a thin, weak market. Some analysts pinpointed market optimism that the centre-right coalition could stay in government.

VNU was the star of the session with its F1 20 jump to F1 315 on heavy foreign demand, while Royal Dutch moved F1 3.30 higher to F1 189 on good results. Philips, however, moved against the trend with its 10-cent fall to F1 53.70 and Heineken dipped 30 cents to F1 149.70.

Fokker added 30 cents to F1 87.30.

Pakhuis firmed F1 2 to F1 52 despite its announcement of expected lower profits and the poor prospects of its Panair air freight unit.

The bond market was more cautious ahead of the election and prices were lower where changed.

Foreign institutional buyers helped push Brussels to a record after the Government announcement of deep cuts in spending in a bid to contain the growth of the budget deficit.

The Government plans to curb public spending by BFr 19bn in the next 18 months. A cut in short-term Treasury certificates also aided sentiment.

Petrofina led the market higher with its BFr 120 gain to BFr 8,040 in active trading, while chemical group Solvay added BFr 40 to BFr 8,450. Leading utility Intercom added BFr 95 to BFr 4,010 on the rate moves.

Retailer GB-Inno-BM also turned in a strong performance with its BFr 30 rise to BFr 7,300.

Frankfurt turned sharply lower although the thin trading levels were attributed to the absence of many domestic operators for a local holiday.

A late foray by foreign investors forced many blue chips lower.

The mid-session calculation of the Commerzbank index was 18.0 down at 1,942.2, making for a 3.3 per cent decline over the three previous sessions.

The foreign profit-taking was initially concentrated among banks with Bayerische Vereinsbank down DM 28 to DM 520, Dresdner off DM 21.50 at DM 402.50 and its DM 10 dividend and Deutsche Bank slumped DM 26 to DM 78. Commerzbank suffered the least with its DM 4 decline to DM 308.

Daimler took the sharpest fall among the car makers with its DM 25 drop to DM 1,290. VW was off DM 16.30 cheaper at DM 532 and BMW turned DM 6.50 lower to DM 558. Large early gains for Porsche were chipped away leaving the sports car group DM 3 higher at DM 1,042.

Foreign demand surfaced in the bond market helping to offset some early losses. Longs finished about 3% higher but isolated losses amounted to 1% points.

The Bundesbank bought DM 19.9m worth of domestic paper after purchases of DM 50.1m on Friday.

Paris was pushed lower by poor April employment figures, weak industrial output for March and a Bank of France report suggesting that industry is pessimistic about economic activity this year.

Zurich was weaker in thin volume as both foreign and domestic buyers remained hesitant after the market holiday. Export issues, notably chemicals, were weaker against a stronger dollar.

Milan was actively mixed on profit-taking after Monday's sharp gains. Fiat continued to make progress with a 1.14% gain to L16,442 and Generali hit a fresh high of L16,900 with a 1.4% surge.

Oslo proved dull but oils began to respond to the stronger crude oil price. Norsk Hydro added Nkr 1 to Nkr 142.

Stockholm firmed in quiet trading. Madrid turned lower in quiet trading.

SOUTH AFRICA

PRICES FIRMED across the board in Johannesburg as the rand drifted lower and the gold price turned higher.

In the gold sector Driefontein added 25 cents to R59.75 and Buffels 5 cents to R71.50 while Vaal Reefs remained steady at R212.

CANADA

OILS were buoyant in a lower Toronto. Imperial Oil edged CS% higher to CS4.75, Shell Canada CS% to CS2.25 and Husky Oil 5 cents to CS2.70.

Industrials and banks turned down. Carling O'Keefe slipped CS% to CS14.50, and Canadian Tire class A dropped CS% to CS15.50.

SINGAPORE

EARLY profit-taking prompted late gain hunting in Singapore and some chips recovered part of their initial losses. Most issues remained slightly lower, however.

Malayan Banking, the most actively traded issue with a turnover of 503,000 shares, dropped 3 cents to SS1.25, while parent company Bell Group remained steady at SS8.80.

ANZ Bank's lower half year profits stripped it of 42 cents to SS1.42, while in the retail sector Coles Myer dropped 30 cents to SS1.78.

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